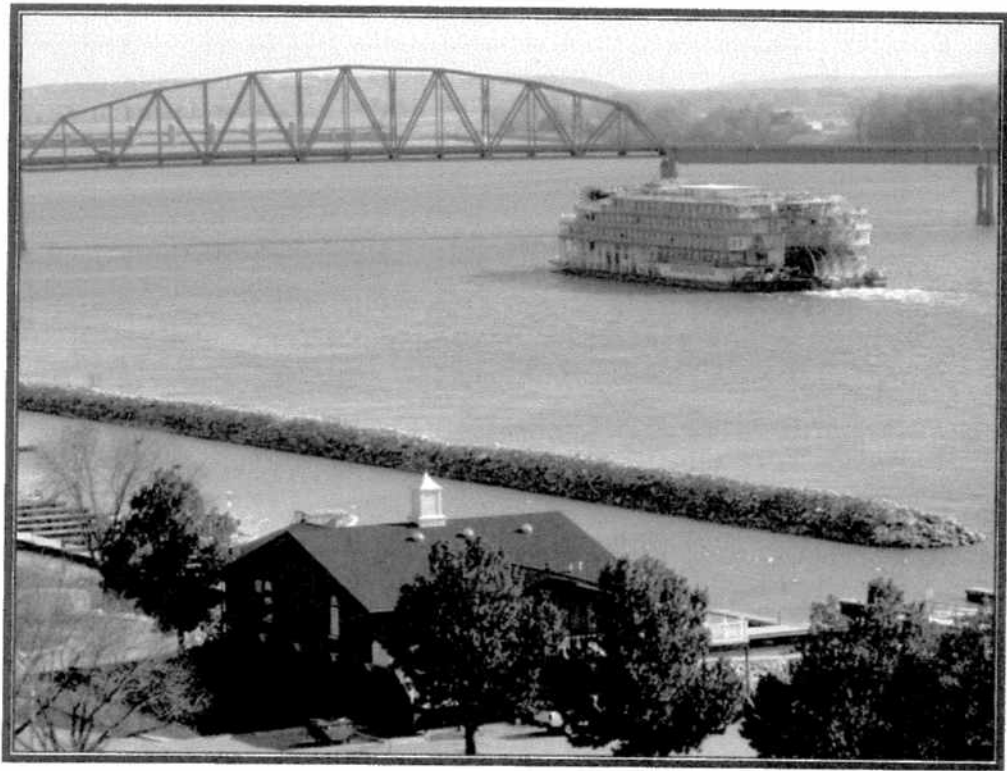


# *City of Muscatine, Iowa*



## *Comprehensive Annual Financial Report*

*For the Year Ended June 30, 2007*

**CITY OF MUSCATINE, IOWA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**SUBMITTED BY:**  
**FINANCE DEPARTMENT**  
**CITY OF MUSCATINE, IOWA**

**Nancy A. Lueck**  
**Finance Director**

**Cover:**

Muscatine Riverfront View

The American Queen Steamboat travels up the Mississippi River on a fall cruise.  
The City's Riverview Center is in the foreground.

**Photo by:**

Dan Beenen

## **CITY OF MUSCATINE, IOWA**

### **Comprehensive Annual Financial Report For the Year Ended June 30, 2007**

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## FINANCE & RECORDS

TO: Honorable Mayor and City Council

DATE: November 29, 2007

Iowa law requires that all cities publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Muscatine for the fiscal year ended June 30, 2007.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP, a firm of licensed certified public accountants, have issued an unqualified ("clean") opinion on the City of Muscatine's financial statements for the year ended June 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the compliance section of this report.

### Profile of the Government

The City of Muscatine was incorporated in 1851 by a special act of the Iowa State Legislature and is located on the Mississippi River, which is the eastern boundary of the state of Iowa. The City is located 160 miles east of Des Moines, 200 miles west of Chicago, and is the county seat of Muscatine County. The City occupies a land area of approximately 17 square miles and serves a population of 22,697 people. The City is empowered to levy a tax on all property located within its boundaries.

The City operates under the mayor-council form of government and has a City Administrator. Policy-making and legislative authority are vested in a mayor and seven council members. The city council is responsible, among other things, for passing ordinances and resolutions, adopting the budget, appointing committees, and hiring both the City Administrator and the City Attorney. The City Administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms and the mayor is elected to serve a two-year term. Five of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides a full range of services including police and fire protection; roadway maintenance; water pollution control; solid waste management; recreational and cultural activities and facilities; and a general aviation airport.

The City Council is required to hold a public hearing on and adopt a budget for each fiscal year no later than March 15<sup>th</sup> of the preceding year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by function, fund and department. The legal level of control is at the function level. The budget may be amended by resolution of City Council following a required public hearing.

The City's government-wide financial statements include two discretely presented component units. These component units are those entities for which the City is considered to be financially accountable. These entities are the Muscatine County Solid Waste Management Agency (Agency) and Muscatine Power and Water (MP&W). The Agency is comprised of six governmental entities in Muscatine County and based on the City of Muscatine population, the City accounts for 56% of the board's voting authority. The City Council also approves the Agency's budget, sets its rate and approves any debt issuance. MP&W is a municipal utility which provides water, electric and communications services within the City of Muscatine and in other areas within Muscatine County. MP&W's governing board is appointed by the Mayor and approved by Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City. These entities are reported in separate columns in the government-wide statements to emphasize that they are legally separate from the City.

## **Local Economy**

The City of Muscatine has a history of business and industrial development equal to cities of much larger size. Muscatine is the corporate headquarters of HNI Corporation, makers of office furniture. Other major employers located in the Muscatine area include H.J. Heinz LP, food processing; Bandag, makers of pre-cured tire tread rubber, Monsanto Company, herbicides and plastics; Raymond-Muscatine, front-end loaders, etc.; Muscatine Foods Corporation, corn distillates and feed; and Stanley Consultants Inc., consulting engineers and architects. The presence of many diverse companies has provided the Muscatine economy with economic stability and employment security for many years. Unemployment rates over the past ten years ranged from 2.7% to 4.5% with the rate for 2006/2007 at 3.2%. Muscatine Power and Water, the City of Muscatine's municipal light, water and communications utility, operates the largest municipal power plant in the State of Iowa. This plant provides for abundant supplies of low cost electricity. The City's Water Pollution Control Plant has undergone renovation over the years and currently has the capacity to triple the volume of wastewater it treats with only marginal

increases in operating expenditures. The City operates a general aviation airport and has excellent railroad service provided by the Iowa, Chicago & Eastern (IC&E) Railroad.

All of these elements provide an excellent atmosphere for continued economic stability and growth.

### **Long-term Financial Planning**

In 2006/2007 construction was completed on Phase II of the Pearl of the Mississippi Project which included an interactive water feature, a pedestrian plaza and landscaping enhancements along the riverfront. These improvements compliment the recently completed Phase I of the Pearl Project. Financing for this project was provided by significant corporate and private contributions as well as city bond proceeds. Phase I of the Pearl Project was completed in 2005/2006 and included a new aquatic center, marina improvements, boat launch relocation, a new skate park, Riverview Center renovation, bike and walking trail extension, community art and an environmental learning center

On May 10, 1994, the citizens of Muscatine first voted to implement a 1% local option sales tax for the purpose of funding storm and sanitary sewer renovation and extension projects. The tax was imposed effective July 1, 1994, for a five-year period. On August 4, 1998, Muscatine voters overwhelmingly approved the renewal of the 1% local option sales tax for another five years to continue funding sewer projects. In January 2003, voters approved using up to 10% of the local option tax for the Pearl of the Mississippi Project effective April 30, 2003.

On January 27, 2004, voters again overwhelmingly approved extending the local option sales tax for an additional five years. The proceeds will continue to be allocated 90% for sewer projects and the remaining 10% for the Pearl of the Mississippi Project. The 1% local option sales tax raises approximately \$2 million each year. This effort demonstrates the community's commitment to a sound municipal infrastructure to enhance the quality of life and to encourage economic development activities. Planning for additional sewer improvements is underway with proceeds of future local option sales tax considered to be a primary funding source, subject to continued voter approval. Future sewer projects include those required by an Order for Compliance on Consent issued by the United States Environmental Protection Agency. Provisions of the Order require the City to complete separation of the combined sewers in the Hershey Avenue combined sewer area by December 31, 2011, and separation for the remaining combined portions of the sewer system including the West Hill area by December 31, 2024.

The City began a comprehensive Pavement Management Program in 2007. Allocations of \$1 million in calendar year 2007 and \$2 million each in 2008 and 2009 will complete the initial upgrade of streets throughout the City. These initial costs will be funded with general obligation bond proceeds. Annual allocations to maintain all streets at this higher level will be needed beginning in 2010.

The City continues to complete improvements at the municipal airport as part of the long range plan for this facility. Land acquisition for the building restriction line began in 2005/2006 and was completed in 2006/2007. Future projects in the plan include equipment purchases and construction of a parallel taxiway for the crosswind runway.



In recent years the City of Muscatine was required to address funding reductions to the City's General Fund as a result of reductions in funding from the State of Iowa which began in 2003/2004 and continued in 2004/2005. The state eliminated approximately \$360,000 in annual funding to the City of Muscatine beginning in 2003/2004 and an additional \$70,000 annually was eliminated in 2004/2005.

In response to these factors, the City made a number of significant budget changes which included personnel reductions, funding transfers and consolidation of services. Full-time equivalent employees in the General Fund are sixteen (16) less than what was included in the original 2003/2004 budget. As directed by Council these reductions were done, when possible, by not filling a number of positions as they came vacant either by retirement or attrition. Nine (9) of these positions were eliminated when the City of Muscatine and Muscatine County combined their emergency dispatch services effective in September, 2004. City dispatcher positions were transferred to Muscatine County positions and the City pays 45% and the County pays 55% of the operating costs of the combined system. This change resulted in an annual savings of \$140,000 in General Fund expenditures of the City. Both entities have and will continue to benefit both financially and operationally by combining their dispatch services.

### **Relevant Financial Policies**

The City's budget policies provide that the City's unreserved General Fund balance be at least 10% of budgeted General Fund expenditures. The unreserved General Fund balance at June 30, 2007 was \$1,670,285 which was 12.7% of General Fund expenditures. This unreserved balance was \$45,636 less than the prior year unreserved balance. This decrease is attributed to the uninsured portion of the costs related to the June 1, 2007 tornado which caused extensive damage to Kent Stein Park, the City's baseball and softball complex, and Greenwood Cemetery. In addition to physical damages, significant employee overtime for traffic control and clearing roadways was also required. An estimated additional \$36,000 in uninsured costs will be incurred in the 2007/2008 fiscal year.

For the 2007/2008 budget taxable property values increased by .6% which will provide only \$33,543 more in tax funding from the general fund tax levy which has been at the maximum rate of \$8.10 per \$1,000 of valuation in all recent years. Growth in residential and commercial property values for the year was partially offset by a decrease in industrial valuation. The decrease in industrial valuations was the result of re-valuing of this category of property by the County Assessor. For 2007/2008 debt financing will be used to fund most vehicle and equipment, technology, and building and facility improvement costs which formerly were funded from the General Fund. Debt requirements for these purchases will be repaid over a 5-year period, the estimated useful lives of these items.

The effects of the changes implemented by City Council in previous years reducing the General Fund workforce and combining services with Muscatine County will be continued to be realized during the 2007/2008 year. These changes in combination with the change in funding for capital items have the City in a more favorable position to address future funding requirements for the provision of General Fund services in future years.

## Major Initiatives

The City continues to strive to make significant capital improvements to the City's infrastructure and facilities. Major budget initiatives for 2007/2008 include (1) the continuation of the comprehensive street improvement program; (2) construction on several major sewer projects included in the third 5-year plan for the sewer projects to be funded from local option sales tax revenues; (3) completion of the parallel taxiway to the crosswind runway at the airport; (4) completion of the design phase of the comprehensive facilities improvements at Water Pollution Control Plant (WPCP). The WPCP improvements are estimated at \$15 million and will be constructed over the next several years. These improvements will address plant and process requirements for the next 20-25 years.

## Awards and Acknowledgements

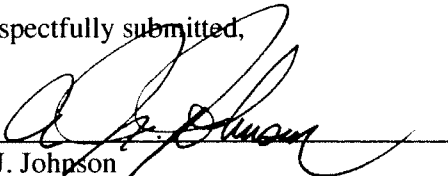
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Muscatine for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the 13th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year 2007/2008. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. The award for the 2007/2008 budget was the 23rd consecutive year that the City of Muscatine has received the GFOA's Award for Distinguished Budget Presentation. The GFOA's Distinguished Budget Presentation Award is good for a period of one year. The City of Muscatine plans to submit its budget document for the 2008/2009 fiscal year to the GFOA to again be considered for this award.

In regard to the preparation of this report and the accounting activity throughout the year in the Finance Department, we would like to express our appreciation to all members of this department for their assistance and contributions for this endeavor. Also appreciated is the continued interest and support by the members of the City Council in planning and conducting the financial operations of the city in a responsible and prudent manner in these times of limited resources and ever-increasing demands. Lastly, we would extend our appreciation to Eide Bailly LLP for their assistance and suggestions in regard to the preparation of the Comprehensive Annual Financial Report.

Respectfully submitted,

  
A.J. Johnson  
City of Administrator

  
Nancy A. Lueck  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Muscatine  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



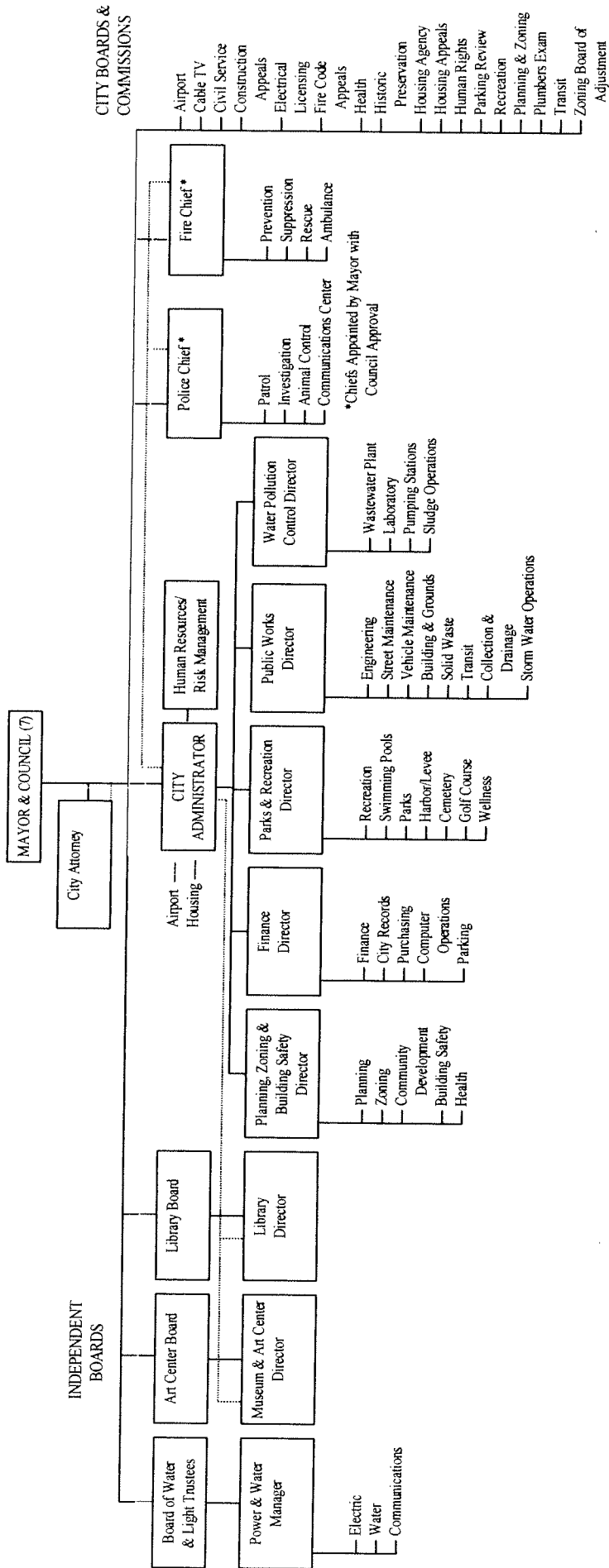
President

Executive Director

# CITY OF MUSCATINE, IOWA

## ORGANIZATIONAL STRUCTURE

### CITIZENS



**CITY OF MUSCATINE, IOWA**

**List of Principal Officials  
June 30, 2007**

Richard W. O'Brien, Mayor

**CITY COUNCIL**

Robert Howard  
At Large

Osama Shihadeh  
At Large

Philip Fitzgerald  
First Ward

Marie Press  
Second Ward

Scott Day  
Third Ward

Bob Bynum  
Fourth Ward

Bill Trent  
Fifth Ward

**COUNCIL APPOINTED OFFICIALS**

City Administrator  
Corporation Counsel

A.J. Johnson  
Harvey G. Allbee, Jr.

**DEPARTMENT DIRECTORS**

Art Center Director  
Finance Director  
Fire Chief  
Acting Library Director  
Parks & Recreation Director  
Planning, Zoning and Building Safety Director  
Police Chief  
Public Works Director  
Water Pollution Control Director

Barbara Longtin  
Nancy A. Lueck  
Steve Dalbey  
Sheila Chaudoin  
Richard Klimes  
Steve Boka  
Gary Coderoni  
Randy E. Hill  
Don Freel



## INDEPENDENT AUDITOR'S REPORT

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Muscatine. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Muscatine Power and Water, a discretely presented component unit, which represent 99% each of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Muscatine Power and Water, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Muscatine. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Muscatine. The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Erik Bailly LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
November 29, 2007

## Management's Discussion and Analysis

As management of the City of Muscatine, we present this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. This narrative is intended to supplement the letter of transmittal and the financial statements and should provide the reader with contextual information that will advance our goal of full disclosure.

### Financial Highlights

- The assets of the City of Muscatine exceeded its liabilities at the close of the most recent fiscal year by \$120,214,599 (net assets). Of this amount, \$12,846,783 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$3,632,419 during the year. This overall increase is primarily in the Local Option Sales Tax, Water Pollution Control and Transfer Station Funds. Local option sales tax fund net assets increased by \$836,648 to accumulate funds for future year sewer projects. Local option sales tax funds were also transferred to fund sewer-related projects which resulted in an increase in net assets of \$1,219,720 in the Water Pollution Control Fund.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,688,176, an increase of \$1,002,247 in comparison with the prior year. Of the ending balance, approximately 74% (\$7,946,812) was unreserved and is available for spending within the statutory guidelines pertaining to each fund at the City's discretion.
- At the end of the current fiscal year, the City's unreserved fund balance for the general fund was \$1,670,285, or 12.7% of total general fund expenditures.
- The City's total debt decreased by \$2,278,856 (13.4%) during the current fiscal year. This decrease was due to debt retirements. There were no new debt obligations issued in the current year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include Public Safety, Public Works, Health and Social Service, Culture and Recreation, Community and Economic Development, General Government, and Interest and Fees on Long-term Debt. The business-type activities of the City include Water Pollution Control, Refuse Collection, Transfer Station, Airport, Parking, Transit, Golf Course, Boat Harbor, Marina, Ambulance, and Public Housing.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities, Muscatine Power and Water and the Muscatine County Solid Waste Agency for which the City of Muscatine is considered to be financially accountable. Financial information for these two *component units* is reported separately from the financial information presented for the primary government itself. Muscatine Power and Water issues separate financial statements. The Solid Waste Agency does not issue separate financial statements.

The government-wide financial statements can be found on pages 26-27 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This information is useful in evaluating the City's near-term financing requirements and is typically the basis that is used for developing the next annual budget.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The City has four major governmental funds: the General Fund, the Employee Benefits Fund, the Local Option Sales Tax Fund, and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from all other non-major governmental funds are combined into a single aggregated presentation and are referenced under a single column as Other Governmental Funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 28-30 of this report.

**Proprietary funds.** The City maintains two different types of proprietary funds. They are the enterprise funds and the internal service funds. While both types of proprietary funds are run in a business-like manner, enterprise funds are included in business-type activities since they serve the entire community, while internal service funds are included in *governmental activities* since they predominantly benefit the City's governmental functions.

Enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City has eleven (11) enterprise funds. Two of the enterprise funds, the Water Pollution Control Fund and the Transfer Station Fund, are considered major funds and are reported individually throughout the report. The other nine (9) non-major enterprise funds are grouped together for reporting purposes and listed under a single heading, Other Enterprise Funds. Detail information for each of the nine (9) non-major enterprise funds is provided in combining statements elsewhere in this report.

Internal service funds are an accounting tool used to accumulate and allocate costs internally among the City's various functions. The City has four internal service funds: Equipment Services, Central Supplies, Health Insurance, and Dental Insurance. Individual fund data for the Internal Service Funds is provided in the form of combining statements in the latter section of this report.

The basic proprietary fund financial statements can be found on pages 31-33 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City has four fiduciary funds, all of which are maintained as agency funds, with no attempt to create ongoing fund balances.

The basic fiduciary funds financial statement can be found on page 34 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-60.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information includes a budgetary comparison schedule on the aggregate basis for the City's budgeted governmental and proprietary funds.

The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information.

### **Government-wide Financial Analysis**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$120,214,599 at the close of the fiscal year ended June 30, 2007.

By far the largest portion of the City's net assets (87%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### CITY OF MUSCATINE'S NET ASSETS

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 23,038,761	\$ 22,692,346	\$ 7,385,427	\$ 8,404,843	\$ 30,424,188	\$ 31,097,189
Capital assets	60,693,936	60,175,341	58,087,102	57,648,338	118,781,038	117,823,679
Total assets	83,732,697	82,867,687	65,472,529	66,053,181	149,205,226	148,920,868
Long-term liabilities outstanding	10,175,042	11,506,770	5,957,635	6,904,055	16,132,677	18,410,825
Other liabilities	11,847,979	12,462,490	1,009,971	1,465,373	12,857,950	13,927,863
Total liabilities	22,023,021	23,969,260	6,967,606	8,369,428	28,990,627	32,338,688
Net assets:						
Invested in capital assets, net of related debt	51,581,004	50,011,138	52,481,362	51,101,160	104,062,366	101,112,298
Restricted	3,305,450	3,420,397	-	-	3,305,450	3,420,397
Unrestricted	6,823,222	5,466,892	6,023,561	6,582,593	12,846,783	12,049,485
Total net assets	\$ 61,709,676	\$ 58,898,427	\$ 58,504,923	\$ 57,683,753	\$ 120,214,599	\$ 116,582,180

A portion of the City's net assets (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$12,846,783) may be used to meet the City's ongoing obligation to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Net assets invested in capital assets net of related debt increased by \$2,950,068 during the year due to various sewer and other capital projects. Restricted net assets decreased by \$114,947 and unrestricted net assets increased by \$797,298 during the year.

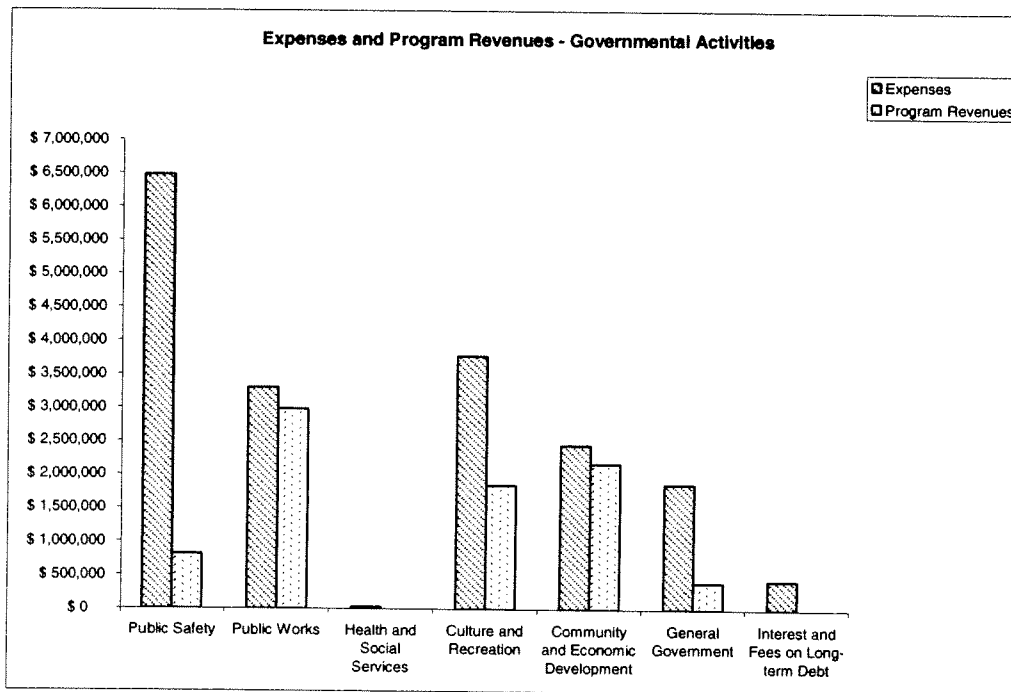
**Governmental activities.** Governmental activities increased the City's net assets by \$2,811,249. A significant portion of this overall increase was due to \$1,577,594 in grants and contributions for capital projects. Net assets in the Local Option Sales Tax fund also increased by \$836,648. These funds are being accumulated to fund future year sewer projects. Other key elements of this overall increase are as follows:

# CITY OF MUSCATINE CHANGES IN NET ASSETS

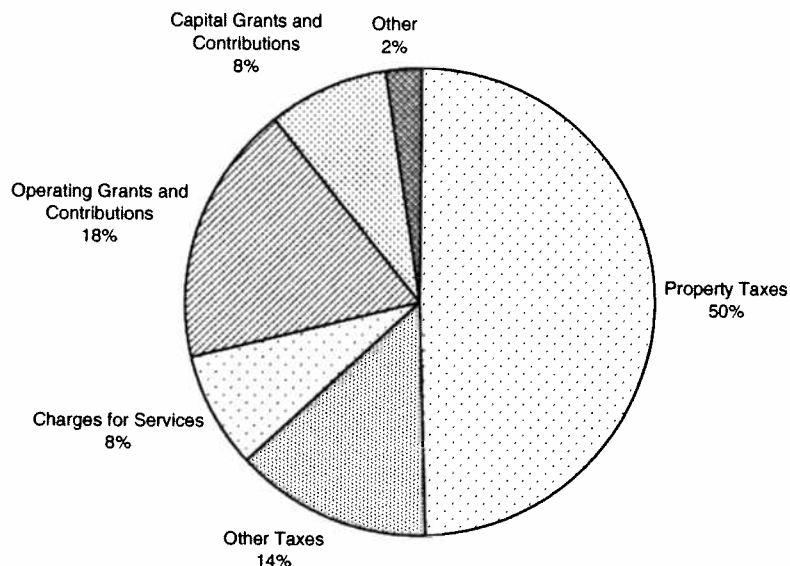
## City of Muscatine Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 1,922,440	\$ 1,866,871	\$ 9,248,236	\$ 8,717,225	\$ 11,170,676	\$ 10,584,096
Operating grants, contributions and restricted interest	4,263,038	4,805,002	674,031	619,692	4,937,069	5,424,694
Capital grants and contributions	2,018,077	1,733,592	324,539	642,818	2,342,616	2,376,410
General revenues:						
Property taxes	11,763,138	10,916,665	-	-	11,763,138	10,916,665
Utility taxes	63,986	59,209	-	-	63,986	59,209
Local option sales tax	2,589,592	2,290,018	-	-	2,589,592	2,290,018
Hotel/motel tax	338,818	306,075	-	-	338,818	306,075
Cable franchise tax	242,164	245,132	-	-	242,164	245,132
Intergovernmental, not restricted to specific programs	99,002	61,834	-	-	99,002	61,834
Unrestricted investment earnings	455,562	337,227	317,561	230,168	773,123	567,395
Other	8,735	257,487	4,348	-	13,083	257,487
Total revenues	<u>23,764,552</u>	<u>22,879,112</u>	<u>10,568,715</u>	<u>10,209,903</u>	<u>34,333,267</u>	<u>33,089,015</u>
Expenses:						
Public safety	6,476,982	6,164,169	-	-	6,476,982	6,164,169
Public works	3,299,503	3,802,168	-	-	3,299,503	3,802,168
Health and social service	26,700	16,660	-	-	26,700	16,660
Culture and recreation	3,774,353	3,967,702	-	-	3,774,353	3,967,702
Community and economic development	2,446,232	2,234,880	-	-	2,446,232	2,234,880
General government	1,866,359	1,844,803	-	-	1,866,359	1,844,803
Interest and fees on long-term debt	432,626	379,549	-	-	432,626	379,549
Water pollution control	-	-	4,581,077	4,329,934	4,581,077	4,329,934
Transfer station	-	-	2,363,530	2,130,005	2,363,530	2,130,005
Refuse collection	-	-	1,423,922	1,283,743	1,423,922	1,283,743
Airport	-	-	545,259	579,586	545,259	579,586
Parking	-	-	210,405	220,508	210,405	220,508
Transit	-	-	781,763	763,123	781,763	763,123
Golf course	-	-	586,908	439,438	586,908	439,438
Boat harbor	-	-	37,325	33,630	37,325	33,630
Marina	-	-	24,203	27,176	24,203	27,176
Ambulance	-	-	912,403	908,058	912,403	908,058
Public housing	-	-	911,298	882,502	911,298	882,502
Total expenses	<u>18,322,755</u>	<u>18,409,931</u>	<u>12,378,093</u>	<u>11,597,703</u>	<u>30,700,848</u>	<u>30,007,634</u>
Increase (decrease) in net assets before transfers	5,441,797	4,469,181	(1,809,378)	(1,387,800)	3,632,419	3,081,381
Transfers in (out)	(2,630,548)	(4,991,391)	2,630,548	4,991,391	-	-
Increase (decrease) in net assets	<u>2,811,249</u>	<u>(522,210)</u>	<u>821,170</u>	<u>3,603,591</u>	<u>3,632,419</u>	<u>3,081,381</u>
Net assets, beginning of year	58,898,427	59,420,637	57,683,753	54,080,162	116,582,180	113,500,799
Net assets, end of year	<u>\$ 61,709,676</u>	<u>\$ 58,898,427</u>	<u>\$ 58,504,923</u>	<u>\$ 57,683,753</u>	<u>\$ 120,214,599</u>	<u>\$ 116,582,180</u>

- Revenues for governmental activities increased by \$885,440 or 3.9% from the previous year.
- Charges for services increased by \$55,569 due primarily to increased public safety and parks and recreation fees.
- Operating grants and contributions decreased by \$541,964 due to decreased public safety, public works and culture and recreation grants.
- Capital grants and contributions increased by \$284,485. This increase was primarily related to the capital grant for the East 5<sup>th</sup> Street bridge project.
- Property taxes increased by \$846,473 during the year or 7.8%. This increase resulted from a 3.4% increase in tax rate and an increase of 5.8% in taxable valuation.
- Local option sales tax increased by \$299,574 during the year.
- Unrestricted investment earnings increased by \$118,335 during the year.
- Other general revenues decreased by \$248,752. The prior year revenues in this category were primarily from gains on sales of property.
- Expenses for governmental activities decreased by \$87,176 or .5% from the previous year.
- The most significant increases in governmental expenses were in the public safety (\$312,813) and community and economic development (\$211,352) functions. The most significant decreases were in the public works (\$502,665) and cultural and recreation (\$193,349) functions. Interest and fees on long-term debt also increased by \$53,077.

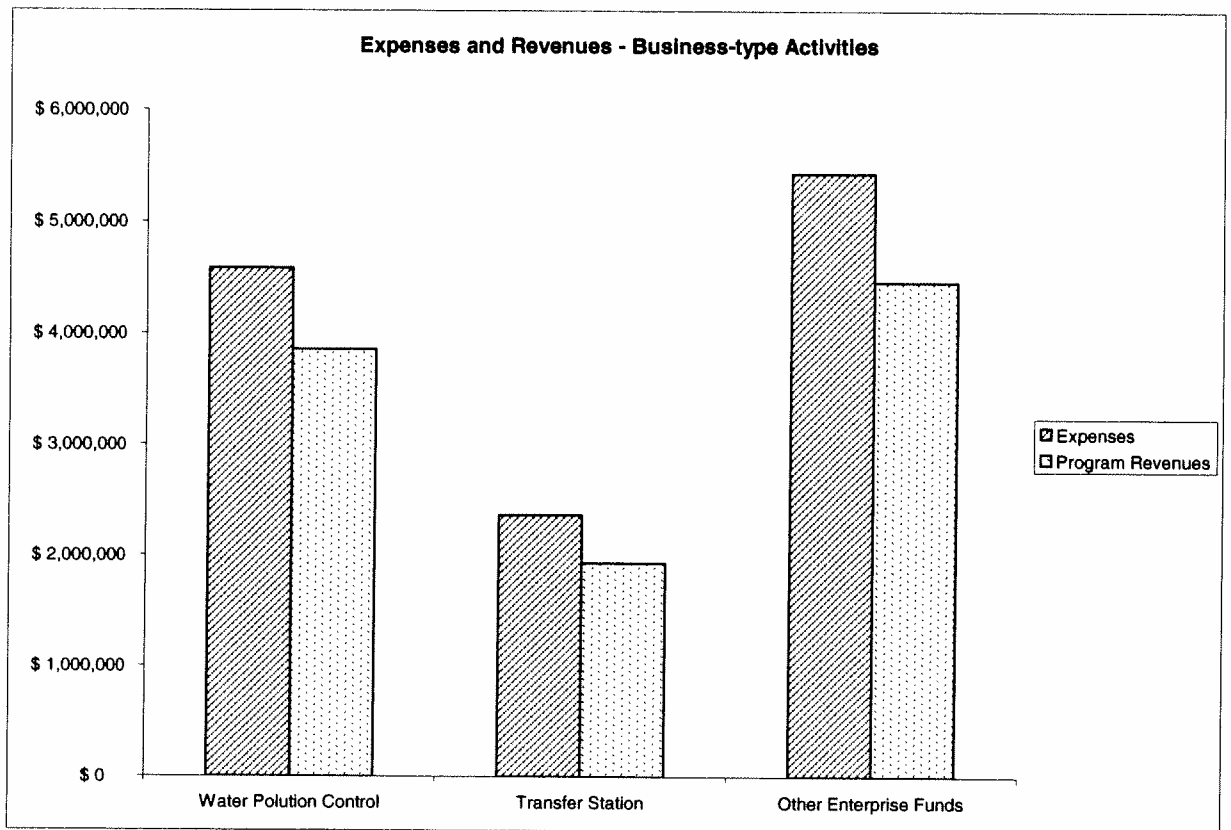


### Revenues By Source - Governmental Activities

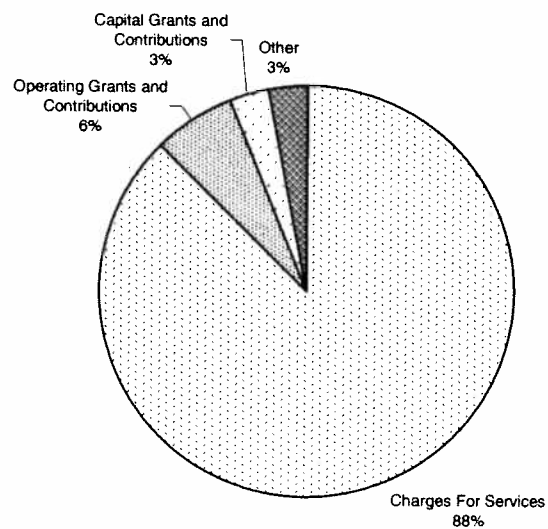


**Business-type activities.** Business-type activities increased the City's total net assets by \$821,170, accounting for 23% of the total increase in the City of Muscatine's net asset during the year. Increases in net assets were reported in the Water Pollution Control and Transfer Station funds. Decreases in net assets were reported in the Refuse Collection, Airport, Parking, Transit, Golf Course, Boat Harbor, Ambulance and Public Housing funds. Key elements of these changes are as follows:

- Net assets of the Water Pollution Control fund increased by \$1,219,720 during the year primarily due to capital asset additions. Transfers from the Local Option Sales Tax fund funded \$1,670,212 of sewer-related capital project costs.
- Net assets of the Transfer Station fund increased by \$319,719 during the year. This increase is the result of a funding transfer of \$752,824 from the debt service fund to fund the Transfer Station debt requirements for the year.
- Revenues for the business-type activities in total increased by \$358,812 (3.5%). Water Pollution Control Plant service charges increased \$102,961 and refuse collection charges by \$52,657 due to rate increases. Transfer Station service charges increased by \$124,475 due to increased waste volumes. Golf fees and charges increased by \$118,268 due to changing the clubhouse operation from a contract/commission basis to a City-run operation at the beginning of the 2007 season. Capital grants and contributions decreased by \$318,279 primarily due to reduced capital grants for transit vehicles, airport improvements and public housing. Unrestricted interest earning increased by \$87,393 for the year.
- Expenses for the business-type activities increased \$780,390 (6.7%).



**Revenues By Source - Business-type Activities**



## Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10,688,176, an increase of \$1,002,247 in comparison with the prior year. This increase was primarily due to the increase in fund balance in the Local Option Sales Tax fund (\$836,648)

Approximately 74% of the total combined ending fund balances (\$7,946,812) constitutes unreserved fund balance, which is available for spending within statutory guidelines pertaining to each fund at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Muscatine. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$1,670,285, while total fund balance was \$1,735,925. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved and total general fund balances at the end of the fiscal year represent 12.7% and 13.2%, respectively, of total general fund expenditures.

The City of Muscatine's general fund balance decreased slightly by \$7,152 during the current fiscal year. While the original budget for the year allowed for a decrease of \$191,000 in fund balance, revenues exceeded budget estimates and expenditures were less than originally budgeted.

The Employee Benefits fund balance increased during the year by \$27,683; however, there is still an ending fund deficit of \$28,536. Taxes are levied in this fund for employee benefits for general fund employees. The deficit was the result of medical expenditures for disability retirees of the Fire department which the City is required to fund according to State statutes. This deficit will be eliminated with taxes levied in the 2007/2008 year.

The Local Option Sales Tax fund balance increased during the fiscal year by \$836,648. These funds are being accumulated to fund future year sewer improvement projects.

**Proprietary funds.** The City of Muscatine's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net assets for the City's enterprise funds as of June 30, 2007 was \$58,504,923, an increase of \$821,170 from the previous fiscal year. Of the net assets of the enterprise funds, \$52,481,362 is invested in capital assets, net of related debt. Unrestricted net assets totaled \$6,023,561, a decrease of \$559,032 compared to the previous year.

The City's internal service funds include Equipment Services, Central Supplies, Health Insurance and Dental Insurance. Net assets for the internal service funds totaled \$472,654 as of June 30, 2007, a decrease of \$44,327 from the previous year.



## **General Fund Budgetary Highlights**

During the year there was a \$1,183,700 increase in General Fund appropriations between the original General Fund budget and the final amended budget. Budgeted revenues and transfers in to the General Fund increased by \$943,717 from the original to the amended budget. A significant portion of these overall increases were due to costs related to the June 1, 2007 tornado. Tornado cleanup and repair costs resulted in expenditure amendments totaling \$637,500 in the various General Fund departments with revenue amendments of \$506,500 in expected insurance reimbursements and \$72,800 in related funding transfers to the General Fund. Actual tornado-related costs and reimbursements were less than these amounts as the cleanup work was still in progress as of the end of the 2006/2007 fiscal year. Following are the main components of the overall budget increases during the year:

- Increases in the police department budget totaled \$122,000. This increase included \$15,000 in overtime and vehicle costs related to the tornado, \$30,600 for expenditures funded by police grants, \$11,000 for a used vehicle to replace a vehicle damaged in an accident and \$17,500 for increased fuel costs. The amendments also included increasing the hours for the part-time evidence technician, increased training costs for new officers and increased vehicle repair and maintenance costs.
- Increases in the fire department budget totaled \$204,700. Increases included \$114,200 for capital expenditures funded from grant funds, \$3,900 in tornado-related overtime, \$15,000 in disability-related medical costs for retired firefighters, \$19,900 in increased vehicle repair and maintenance costs, and \$43,800 in benefit costs for several retirements during the year.
- Increases in the parks and recreation budget totaled \$656,700. This increase included \$545,800 in tornado-related costs with \$513,800 in cleanup and repair costs for Kent Stein Park, the City's baseball and softball complex, and \$32,000 in cleanup costs for Greenwood Cemetery. The tornado damaged lights, fencing and other structures in Kent Stein Park. The tornado also destroyed many large trees and toppled numerous monuments at Greenwood Cemetery. Other increases in the parks and recreation budget included \$75,900 in the Park Maintenance budget and \$19,700 in the Aquatic Center budget. The Park Maintenance budget increase included \$44,300 related to vandalism at Eversmeyer Park and the Aquatic Center amendment included \$12,100 to repair a roof structure at the pool. Insurance reimbursements partially funded both of these items.
- Public works department expenditures were amended by \$156,200 which included \$71,800 in tornado-related cleanup costs. The other increases included funding for increased equipment repair and maintenance costs and costs to replace a vehicle damaged in an accident. An insurance reimbursement partially funded replacement of the damaged vehicle. These budget increases were funded from increased transfers from the Road Use Tax fund.
- The amended budget included a \$19,200 increase in the Community Development department. This included increased funding for fuel and vehicle maintenance costs as well as increased funding for the nuisance abatement program.

- Budgeted expenditures in the General Government function of the General Fund were amended upward by \$12,700. Amendments included an increase of \$14,900 for consultant services related to the nomination of the West Hill Neighborhood to the National Register of Historic Places. This cost will be funded from donations. Other amendments in this area included decreases in City insurance costs of \$32,000 and increased building repair and maintenance costs in the Building and Grounds budget of \$33,700.

### Capital Asset and Debt Administration

**Capital assets.** The City of Muscatine's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$118,781,038 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, streets, and bridges. The City of Muscatine's investment in capital assets for the current fiscal year increased by \$518,595 for governmental activities compared to the prior year and increased by \$438,764 for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Additions to capital assets (net of asset retirements) totaled \$5,880,380.
- Major asset additions included \$1,125,677 for final construction costs for the East 5<sup>th</sup> Street Bridge project; \$739,117 for the Riverfront Pedestrian Plaza (Phase II of the Pearl of the Mississippi Project) including the new water feature; \$318,540 for Airport improvements; \$1,081,918 to replace the roughing filter at the Water Pollution Control Plant; and \$1,680,539 in sewer system improvements.
- Depreciation expense totaled \$5,651,661 for the year with \$2,722,054 in the governmental activities and \$2,929,607 in the business-type activities.

#### City of Muscatine Capital Assets (Net of Depreciation)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land, art work and construction in progress, not being depreciated	\$ 14,166,351	\$ 15,020,297	\$ 3,594,852	\$ 5,772,649	\$ 17,761,203	\$ 20,792,946
Other capital assets net of accumulated depreciation	46,527,585	45,155,044	54,492,250	51,875,689	101,019,835	97,030,733
Total capital assets	<u>\$ 60,693,936</u>	<u>\$ 60,175,341</u>	<u>\$ 58,087,102</u>	<u>\$ 57,648,338</u>	<u>\$ 118,781,038</u>	<u>\$ 117,823,679</u>

Additional information on the City of Muscatine's capital assets can be found in note 6 on pages 48-50 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$14,715,575. Of this amount, \$12,015,575 comprises debt backed by the full faith and credit of the city. Of this amount \$5,605,740 is debt that serves enterprise funds and therefore is reflected as debt of the respective enterprise funds with the remainder of the general obligation bonds \$6,409,835 reflected as debt of the governmental activities. The remainder of the City of Muscatine's debt represents revenue bonds secured solely by specific revenue sources.

### **City of Muscatine Outstanding Debt General Obligation and Revenue Bonds**

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
General obligation bonds	\$ 6,409,835	\$ 7,467,253	\$ 5,605,740	\$ 6,547,178	\$ 12,015,575	\$ 14,014,431
Revenue bonds	2,700,000	2,980,000	-	-	2,700,000	2,980,000
Total	<u>\$ 9,109,835</u>	<u>\$ 10,447,253</u>	<u>\$ 5,605,740</u>	<u>\$ 6,547,178</u>	<u>\$ 14,715,575</u>	<u>\$ 16,994,431</u>

The City's total bonded debt decreased by \$2,278,856 during the year. No new debt was issued during the year and \$1,998,856 in general obligation bonds and \$280,000 of tax increment revenue bonds were retired.

State statutes limit the amount of general obligation debt to 5% of the total actual valuation of property in the City of Muscatine. The current debt limit of the City of Muscatine is \$53,178,296. The amount of debt applicable to the debt limit totals \$15,028,097 (including a lease-purchase obligation). The City's debt is significantly less than the maximum debt limit allowed.

The City maintained its A-1 rating from Moody's for general obligation debt.

Additional information on the City's long-term debt can be found in note 8 on pages 51-54 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for Muscatine County was 3.2% for calendar year 2006 compared to 4.2% the previous year. Separate unemployment figures are not maintained for the City of Muscatine.
- The City's taxable value increased by 5.8% for the 2006/2007 year and increased by .6% for the upcoming 2007/2008 fiscal year. The smaller increase for 2007/2008 is due in part to re-valuation of industrial property by the County Assessor.
- The upcoming budget provides funding for capital improvement projects to continue in 2007/2008. Local option sales tax funds will continue to be used to fund sanitary and storm sewer projects in the City (90%) and also be used to complete funding for the Pearl of the Mississippi Project (10%).

- Capital projects for 2007/2008 include the first years of a Comprehensive Pavement Management Program to upgrade the City's overall street conditions. A funding allocation of \$1 million for calendar year 2007 and \$2 million each for calendar years 2008 and 2009 will complete the initial upgrade. Thereafter an annual allocation of \$500,000 to \$800,000 will be needed to maintain the streets at this higher level.
- The 2007/2008 budget includes engineering design costs for comprehensive facilities improvements at the Water Pollution Control Plant. These improvements are estimated at \$15 million and will occur over the next several years. The 2007/2008 budget also includes \$1,312,000 for construction of a parallel taxiway for the crosswind runway at the airport.
- The 2007/2008 budget provides for increases in sewer, refuse collection, ambulance and golf fees.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Muscatine's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 215 Sycamore Street, Muscatine, Iowa, 52761.

**City of Muscatine, Iowa**

**Statement of Net Assets  
June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>	
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Muscatine County Solid Waste Agency</b>	<b>Muscatine Power &amp; Water</b>
<b>ASSETS</b>					
Cash and pooled investments	\$ 8,002,534	\$ 4,757,865	\$ 12,760,399	\$ -	\$ 23,441
Investments	2,289,479	543,157	2,832,636	-	9,722,361
Receivables (net of allowance for uncollectibles):					
Interest	105,785	63,931	169,716	6,847	1,337,845
Taxes	11,249,590	-	11,249,590	-	-
Accounts	264,855	1,559,909	1,824,764	49,652	8,447,298
Intergovernmental	935,482	150,941	1,086,423	-	-
Loan receivable from component unit	-	239,559	239,559	-	-
Inventories	127,490	18,717	146,207	-	10,690,524
Prepays	24,243	5,384	29,627	-	521,612
Deferred charges	39,303	23,441	62,744	-	259,073
Restricted assets:					
Temporarily restricted:					
Cash and pooled investments	-	22,523	22,523	717,989	714
Investments	-	-	-	-	49,301,359
Capital assets:					
Land, art work and construction in progress, not being depreciated	14,166,351	3,594,852	17,761,203	1,080,608	4,018,923
Other capital assets net of accumulated depreciation	46,527,585	54,492,250	101,019,835	492,671	-
Utility plant in service	-	-	-	-	167,347,058
Intangible assets (net of accumulated depreciation)	-	-	-	-	4,638,586
Joint venture rights	-	-	-	-	197,002
<b>Total assets</b>	<b>83,732,697</b>	<b>65,472,529</b>	<b>149,205,226</b>	<b>2,347,767</b>	<b>256,505,796</b>
<b>LIABILITIES</b>					
Accounts payable and accruals	622,224	831,260	1,453,484	163,841	6,420,703
Retainages payable	50,622	67,598	118,220	-	-
Deposits	-	35,736	35,736	-	2,890,844
Matured bonds and interest payable	419	-	419	-	-
Accrued interest payable	31,520	23,081	54,601	-	623,521
Unearned revenue	11,143,194	52,296	11,195,490	-	29,303,164
Liabilities payable from restricted assets:					
Current installment of long-term debt	-	-	-	-	12,160,000
Accrued interest payable	-	-	-	-	1,819,452
Noncurrent liabilities:					
Due within one year	1,856,924	1,201,797	3,058,721	204	-
Due in more than one year	8,318,118	4,727,043	13,045,161	-	61,697,293
Loan due to primary government	-	-	-	239,559	-
Closure/post-closure obligation	-	28,795	28,795	1,326,255	-
<b>Total liabilities</b>	<b>22,023,021</b>	<b>6,967,606</b>	<b>28,990,627</b>	<b>1,729,859</b>	<b>114,914,977</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	51,581,004	52,481,362	104,062,366	1,573,279	83,581,653
Restricted for:					
Debt service	148,297	-	148,297	-	-
Public works	720,373	-	720,373	-	-
Community and economic development	586,799	-	586,799	-	-
Public safety	5,076	-	5,076	-	-
Perpetual care, nonexpendable	808,943	-	808,943	-	-
Endowments:					
Nonexpendable	132,000	-	132,000	-	-
Expendable	903,962	-	903,962	-	-
Other purposes	-	-	-	-	47,482,621
Unrestricted	6,823,222	6,023,561	12,846,783	(955,371)	10,526,545
<b>Total net assets</b>	<b>\$ 61,709,676</b>	<b>\$ 58,504,923</b>	<b>\$ 120,214,599</b>	<b>\$ 617,908</b>	<b>\$ 141,590,819</b>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa  
Statement of Activities  
For the Year Ended June 30, 2007

Functions: Primary Government:	Net (Expense) Revenue and Changes in Net Assets									
	Program Revenues				Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Muscatine County Solid Waste Agency	Muscatine Power & Water	
Governmental activities:										
Public safety	\$ 6,476,982	\$ 383,518	\$ 302,802	\$ 126,884	\$ (5,663,778)	\$ -	\$ (5,663,778)			
Public works	3,299,503	140,649	1,978,535	861,903	(318,416)	-	(318,416)			
Health and social services	26,700	-	-	-	(26,700)	-	(26,700)			
Culture and recreation	3,774,353	616,982	198,912	1,029,290	(1,929,169)	-	(1,929,169)			
Community and economic development	2,446,232	398,479	1,768,374	-	(279,379)	-	(279,379)			
General government	1,866,359	382,812	14,415	-	(1,469,132)	-	(1,469,132)			
Interest and fees on long-term debt	432,626	-	-	-	(432,626)	-	(432,626)			
Total governmental activities	18,322,755	1,922,440	4,263,038	2,018,077	(10,119,200)	-	(10,119,200)			
Business-type activities:										
Water pollution control	4,581,077	3,854,728	-	-	-	(726,349)	(726,349)			
Refuse collection	1,423,922	1,364,809	-	-	-	(59,113)	(59,113)			
Transfer station	2,363,530	1,893,083	37,342	-	-	(433,105)	(433,105)			
Airport	545,259	47,351	-	297,936	-	(199,972)	(199,972)			
Parking	210,405	178,128	-	-	-	(32,277)	(32,277)			
Transit	781,763	129,429	-	-	-	(275,712)	(275,712)			
Golf course	586,908	532,104	-	-	-	(54,804)	(54,804)			
Boat harbor	37,325	26,022	-	-	-	(11,303)	(11,303)			
Marina	24,203	22,494	-	-	-	(1,709)	(1,709)			
Ambulance	912,403	817,532	-	-	-	(94,871)	(94,871)			
Public housing	911,298	382,556	260,067	26,603	-	(242,072)	(242,072)			
Total business-type activities	12,378,093	9,248,236	674,031	324,539	-	(2,131,287)	(2,131,287)			
Total primary government	\$ 30,700,848	\$ 11,170,676	\$ 4,937,069	\$ 2,342,616	(10,119,200)	(2,131,287)	(12,250,487)			
Component Units:										
Muscatine County Solid Waste Agency	\$ 1,131,062	\$ 820,276	\$ -	\$ -				\$ (310,786)	\$ -	
Muscatine Power & Water	84,216,911	88,139,545	-	293,267				-	4,215,901	
Total component units	\$ 85,347,973	\$ 88,959,821	\$ -	\$ 293,267				(310,786)	4,215,901	
General revenues:										
Property taxes					11,763,138	-	11,763,138			
Utility taxes					63,986	-	63,986			
Local option sales tax					2,589,592	-	2,589,592			
Hotel/motel taxes					338,818	-	338,818			
Cable franchise taxes					242,164	-	242,164			
Intergovernmental, unrestricted					99,002	-	99,002			
Unrestricted investment income					455,562	317,561	773,123	29,883	3,579,199	
Gain on sale of capital assets					-	4,348	4,348	-	-	
Contributions to endowments					8,735	-	8,735	-	-	
Transfers					(2,630,548)	2,630,548	-	-	-	
Total general revenues, contributions to endowments and transfers					12,930,449	2,952,457	15,882,906	29,883	3,579,199	
Change in net assets					2,811,249	821,170	3,632,419	(280,903)	7,795,100	
Net assets, June 30, 2006					58,898,427	57,683,753	116,582,180	898,811	133,795,719	
Net assets, June 30, 2007					\$ 61,709,676	\$ 58,504,923	\$ 120,214,599	\$ 617,908	\$ 141,590,819	

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Balance Sheet  
Governmental Funds  
June 30, 2007**

	<u>General</u>	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Cash and pooled investments	\$ 1,384,016	\$ -	\$ 3,414,538	\$ 116,793	\$ 2,600,178	\$ 7,515,525
Investments	-	-	-	-	2,289,479	2,289,479
Receivables (net of allowance for uncollectibles):						
Interest	13,611	-	38,054	9,847	35,744	97,256
Taxes	6,087,301	3,013,753	-	1,956,022	192,514	11,249,590
Accounts	212,891	-	-	-	2,562	215,453
Intergovernmental	292,866	-	372,826	-	269,790	935,482
Advances to other funds	-	-	783,557	-	222,636	1,006,193
Prepaid insurance	24,243	-	-	-	-	24,243
<b>Total assets</b>	<u>8,014,928</u>	<u>3,013,753</u>	<u>4,608,975</u>	<u>2,082,662</u>	<u>5,612,903</u>	<u>23,333,221</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable and accruals	234,334	-	-	-	210,283	444,617
Retainages payable	-	-	-	-	50,622	50,622
Advances from other funds	-	58,090	-	-	948,103	1,006,193
Matured general obligation bond interest payable	-	-	-	419	-	419
Deferred revenue	6,044,669	2,984,199	-	1,933,946	180,380	11,143,194
<b>Total liabilities</b>	<u>6,279,003</u>	<u>3,042,289</u>	<u>-</u>	<u>1,934,365</u>	<u>1,389,388</u>	<u>12,645,045</u>
<b>Fund balances:</b>						
Reserved for:						
Encumbrances	65,640	-	-	-	-	65,640
Advances to other funds	-	-	783,557	-	222,636	1,006,193
Housing assistance payments	-	-	-	-	518,349	518,349
Perpetual care	-	-	-	-	808,943	808,943
Endowments	-	-	-	-	193,942	193,942
Debt service	-	-	-	148,297	-	148,297
Unreserved, reported in:						
General fund	1,670,285	-	-	-	-	1,670,285
Special revenue funds	-	(28,536)	3,825,418	-	3,168,597	6,965,479
Capital projects funds	-	-	-	-	(688,952)	(688,952)
<b>Total fund balances</b>	<u>1,735,925</u>	<u>(28,536)</u>	<u>4,608,975</u>	<u>148,297</u>	<u>4,223,515</u>	<u>10,688,176</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,014,928</u>	<u>\$ 3,013,753</u>	<u>\$ 4,608,975</u>	<u>\$ 2,082,662</u>	<u>\$ 5,612,903</u>	
Amounts reported for governmental activities in the statement of net assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						60,683,019
Unamortized balance of deferred charge for bond issuance costs not reported in the funds						39,303
Internal service funds are used by management to charge the costs of equipment services, central supplies and health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.						472,654
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:						
Bonds payable						(9,109,835)
Capital lease payable						(3,097)
Accrued interest payable						(31,520)
Compensated absences						(1,029,024)
<b>Net assets of governmental activities</b>						<u>\$ 61,709,676</u>

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

For the Year Ended June 30, 2007

	General	Employee Benefits	Local Option Sales Tax	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes:						
Property	\$ 5,834,751	\$ 2,709,151	\$ -	\$ 2,035,215	\$ 1,184,021	\$ 11,763,138
Utility	34,962	16,248	-	11,699	1,077	63,986
Hotel/motel	338,818	-	-	-	-	338,818
Cable franchise	242,164	-	-	-	-	242,164
Local option sales	-	-	2,589,592	-	-	2,589,592
Licenses and permits	324,913	-	-	-	-	324,913
Fines and forfeitures	144,427	-	-	-	-	144,427
Intergovernmental	474,933	-	-	70,222	4,625,025	5,170,180
Charges for services	418,119	-	-	-	-	418,119
Use of money and property	227,364	-	176,227	36,689	213,784	654,064
Special assessments	-	-	-	-	3,764	3,764
Other	702,237	-	-	-	785,775	1,488,012
Total revenues	8,742,688	2,725,399	2,765,819	2,153,825	6,813,446	23,201,177
Expenditures:						
Current:						
Public safety	6,116,468	-	-	-	6,163	6,122,631
Public works	1,640,026	-	-	-	-	1,640,026
Health and social services	26,700	-	-	-	-	26,700
Culture and recreation	2,465,209	-	-	-	48,290	2,513,499
Community and economic development	643,217	-	-	-	1,628,105	2,271,322
General government	1,754,039	-	-	-	-	1,754,039
Debt service:						
Principal	3,176	-	-	1,060,000	280,000	1,343,176
Interest	314	-	-	284,199	147,140	431,653
Paying agent	-	-	-	2,800	-	2,800
Capital outlay:						
Public safety	71,092	-	-	-	355,658	426,750
Public works	138,019	-	-	-	1,605,023	1,743,042
Culture and recreation	255,376	-	-	-	929,357	1,184,733
Community and economic development	-	-	-	-	169,202	169,202
General government	21,033	-	-	-	66,685	87,718
Total expenditures	13,134,669	-	-	1,346,999	5,235,623	19,717,291
Revenues over (under) expenditures	(4,391,981)	2,725,399	2,765,819	806,826	1,577,823	3,483,886
Other financing sources (uses):						
Insurance recoveries	103,514	-	-	-	-	103,514
Transfers in	4,698,180	-	-	-	1,085,625	5,783,805
Transfers out	(416,865)	(2,697,716)	(1,929,171)	(752,824)	(2,572,382)	(8,368,958)
Total other financing sources (uses)	4,384,829	(2,697,716)	(1,929,171)	(752,824)	(1,486,757)	(2,481,639)
Net change in fund balances	(7,152)	27,683	836,648	54,002	91,066	1,002,247
Fund balances, June 30, 2006	1,743,077	(56,219)	3,772,327	94,295	4,132,449	9,685,929
Fund balances, June 30, 2007	\$ 1,735,925	\$ (28,536)	\$ 4,608,975	\$ 148,297	\$ 4,223,515	\$ 10,688,176

The notes to the financial statements are an integral part of this statement.



City of Muscatine, Iowa

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 1,002,247
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets:

Capital asset purchases capitalized	2,868,194
Depreciation expense	(2,668,638)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.	321,018
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Revenues in the governmental funds not reflected as revenue in the statement of activities since recognized in prior years

Collection of prior year special assessments	(3,479)
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The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

General obligation bond principal payments	1,060,000
Tax increment bond principal payments	280,000
Capital lease principal payments	3,176
Net effects of bond issuance costs, premiums and discounts	(7,939)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in compensated absences	(3,414)
Change in accrued interest payable	4,411

Internal service funds are used by management to charge the costs of equipment services, central office supplies, health and dental insurance to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

(44,327)

Change in net assets of governmental activities	<u>\$ 2,811,249</u>
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The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Net Assets  
Proprietary Funds  
June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ 4,412,943	\$ -	\$ 344,922	\$ 4,757,865	\$ 487,009
Investments	-	-	543,157	543,157	-
Receivables (net of allowance for uncollectibles):					
Interest	55,560	-	8,371	63,931	8,529
Accounts	454,212	703,336	402,361	1,559,909	49,402
Intergovernmental:					
Federal	-	-	124,543	124,543	-
State	-	-	9,163	9,163	-
County	-	-	17,235	17,235	-
Advances to other funds	875,127	-	4,946	880,073	11,063
Advances to component unit	239,559	-	-	239,559	-
Inventories	-	-	18,717	18,717	127,490
Prepaid items	-	-	5,384	5,384	-
Total current assets	6,037,401	703,336	1,478,799	8,219,536	683,493
Noncurrent assets:					
Restricted cash and pooled investments	-	22,523	-	22,523	-
Deferred charges	2,605	18,994	1,842	23,441	-
Capital assets:					
Land	474,486	175,000	2,173,659	2,823,145	-
Land improvements	62,346	1,019,897	9,491,252	10,573,495	-
Buildings and building improvements	31,422,828	7,428,336	11,123,226	49,974,390	-
Equipment	3,669,592	246,988	560,764	4,477,344	122,889
Vehicles	638,143	356,243	1,526,348	2,520,734	48,140
Infrastructure	31,708,748	-	-	31,708,748	-
Construction in progress	673,560	-	98,147	771,707	-
Less accumulated depreciation	(27,903,069)	(3,383,707)	(13,475,685)	(44,762,461)	(160,112)
Total capital assets net of accumulated depreciation	40,746,634	5,842,757	11,497,711	58,087,102	10,917
Total noncurrent assets	40,749,239	5,884,274	11,499,553	58,133,066	10,917
Total assets	46,786,640	6,587,610	12,978,352	66,352,602	694,410
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	388,286	62,582	380,392	831,260	177,607
Retainages payable	67,598	-	-	67,598	-
Compensated absences payable	131,575	7,240	66,544	205,359	13,082
Advances from other funds	-	657,134	222,939	880,073	11,063
Deposits	-	-	35,736	35,736	-
Accrued interest payable	3,080	17,581	2,420	23,081	-
Unearned revenue	-	-	52,296	52,296	-
General obligation bonds	416,866	508,647	70,925	996,438	-
Total current liabilities	1,007,405	1,253,184	831,252	3,091,841	201,752
Noncurrent liabilities:					
General obligation bonds	416,867	3,680,405	512,030	4,609,302	-
Compensated absences	67,930	3,363	46,448	117,741	20,004
Transfer station closure obligation	-	28,795	-	28,795	-
Total noncurrent liabilities	484,797	3,712,563	558,478	4,755,838	20,004
Total liabilities	1,492,202	4,965,747	1,389,730	7,847,679	221,756
<b>Net assets:</b>					
Invested in capital assets, net of related debt	39,912,901	1,653,705	10,914,756	52,481,362	10,917
Unrestricted	5,381,537	(31,842)	673,866	6,023,561	461,737
Total net assets	\$ 45,294,438	\$ 1,621,863	\$ 11,588,622	\$ 58,504,923	\$ 472,654

The notes to the financial statements are an integral part of this statement.

City of Muscatine, Iowa

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Pollution Control	Transfer Station	Other Enterprise Funds	Total	
Operating revenues:					
Charges for sales and services	\$ 3,781,675	\$ 1,840,936	\$ 3,322,017	\$ 8,944,628	\$ 916,142
Employer contributions	-	-	-	-	1,950,499
Employee contributions	-	-	-	-	116,537
Other contributions	-	-	-	-	151,778
Other	73,053	52,147	178,408	303,608	1,620
Total operating revenues	3,854,728	1,893,083	3,500,425	9,248,236	3,136,576
Operating expenses:					
Cost of sales and services:					
Personal services	1,657,198	243,358	2,266,450	4,167,006	241,951
Commodities	210,326	34,647	447,694	692,667	532,992
Contractual services	910,939	1,532,337	1,347,892	3,791,168	2,381,761
Administration	130,500	-	253,200	383,700	15,700
Depreciation	1,614,967	281,862	1,032,778	2,929,607	1,978
Total operating expenses	4,523,930	2,092,204	5,348,014	11,964,148	3,174,382
Operating income (loss)	(669,202)	(199,121)	(1,847,589)	(2,715,912)	(37,806)
Non-operating revenues (expenses):					
Intergovernmental	-	37,342	636,689	674,031	-
Interest revenue	275,857	-	41,704	317,561	38,874
Interest expense	(55,845)	(268,612)	(36,103)	(360,560)	-
Bond issuance costs	(1,302)	(2,714)	(263)	(4,279)	-
Gain (loss) on sale of capital assets	-	-	(44,758)	(44,758)	-
Non-operating revenues (expenses), net	218,710	(233,984)	597,269	581,995	38,874
Income (loss) before capital contributions and transfers	(450,492)	(433,105)	(1,250,320)	(2,133,917)	1,068
Capital contributions - grants	-	-	324,539	324,539	-
Transfers in	1,670,212	752,824	207,512	2,630,548	-
Transfers out	-	-	-	-	(45,395)
Change in net assets	1,219,720	319,719	(718,269)	821,170	(44,327)
Net assets, June 30, 2006	44,074,718	1,302,144	12,306,891	57,683,753	516,981
Net assets, June 30, 2007	\$ 45,294,438	\$ 1,621,863	\$ 11,588,622	\$ 58,504,923	\$ 472,654

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2007**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Water Pollution Control</b>	<b>Transfer Station</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 3,800,663	\$ 1,852,761	\$ 3,434,394	\$ 9,087,818	\$ -
Receipts from interfund services provided	-	-	-	-	3,089,381
Payments to suppliers	(1,450,801)	(1,454,917)	(1,393,578)	(4,299,296)	(3,064,084)
Payments to employees	(903,941)	(172,145)	(1,702,530)	(2,778,616)	(168,793)
Payments for employee benefits	(353,762)	(86,704)	(559,802)	(1,000,268)	(67,707)
Payments for interfund services used	(126,093)	(91,561)	(599,571)	(817,225)	(15,700)
Net cash provided (used) by operating activities	966,066	47,434	(821,087)	192,413	(226,903)
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	-	-	(45,395)
Transfers from other funds	1,670,212	752,824	207,512	2,630,548	-
Advances from other funds	-	-	153,596	153,596	10,383
Advances to other funds	(368,803)	-	(4,947)	(373,750)	(10,383)
Repayment of advances from other funds	-	(78,503)	(233,033)	(311,536)	(211)
Repayment of advances to other funds	250,803	-	65,545	316,348	211
Subsidies from federal, state and local grants	-	37,342	671,590	708,932	-
Net cash provided (used) by noncapital financing activities	1,552,212	711,663	860,263	3,124,138	(45,395)
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	-	751,013	751,013	-
Purchase of capital assets	(3,194,851)	-	(928,099)	(4,122,950)	-
Principal paid on capital debt	(395,000)	(518,579)	(71,421)	(985,000)	-
Interest paid on capital debt	(54,143)	(234,245)	(32,248)	(320,636)	-
Insurance reimbursement for loss of capital assets	-	-	50,000	50,000	-
Proceeds from sales of capital assets	-	-	17,000	17,000	-
Net cash provided (used) by capital and related financing activities	(3,643,994)	(752,824)	(213,755)	(4,610,573)	-
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	1,286,480	1,286,480	-
Purchase of investments	-	-	(1,175,421)	(1,175,421)	-
Interest received	263,405	-	42,437	305,842	34,537
Net cash provided (used) by investing activities	263,405	-	153,496	416,901	34,537
Net increase (decrease) in cash and pooled investments	(862,311)	6,273	(21,083)	(877,121)	(237,761)
Cash and pooled investments, June 30, 2006	5,275,254	16,251	366,005	5,657,510	724,770
Cash and pooled investments, June 30, 2007	\$ 4,412,943	\$ 22,524	\$ 344,922	\$ 4,780,389	\$ 487,009
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (669,202)	\$ (199,121)	\$ (1,847,589)	\$ (2,715,912)	\$ (37,806)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,614,967	281,862	1,032,778	2,929,607	1,978
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(54,065)	(40,321)	(74,050)	(168,436)	(47,195)
Intergovernmental receivable	-	-	(1,535)	(1,535)	-
Inventories	-	-	(11,235)	(11,235)	3,752
Prepaid items	-	-	(5,384)	(5,384)	-
Increase (decrease) in:					
Accounts payable and accruals	51,153	20,455	89,127	160,735	(153,083)
Compensated absences payable	23,213	(15,491)	(12,755)	(5,033)	5,451
Unearned revenue	-	-	6,746	6,746	-
Deposits	-	-	2,810	2,810	-
Transfer station closure obligation	-	50	-	50	-
Total adjustments	1,635,268	246,555	1,026,502	2,908,325	(189,097)
Net cash provided (used) by operating activities	\$ 966,066	\$ 47,434	\$ (821,087)	\$ 192,413	\$ (226,903)

The notes to the financial statements are an integral part of this statement.

**City of Muscatine, Iowa**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007**

	<b>Agency Funds</b>
Assets:	
Cash and pooled investments	\$ 388,380
Accounts receivable	53,342
Advances to other funds	<u>52,782</u>
Total assets	<u><u>494,504</u></u>
Liabilities:	
Accounts payable and accruals	441,722
Advances from other funds	<u>52,782</u>
Total liabilities	<u><u>\$ 494,504</u></u>

The notes to the financial statements are an integral part of this statement.

## **CITY OF MUSCATINE, IOWA**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

The notes to the financial statements contain a summary of significant accounting policies and other information considered necessary for an understanding of the financial statements of the City and are an integral part of this report. The index to the notes is as follows:

1. Summary of Significant Accounting Policies
2. Budgets
3. Deposits and Investments
4. Interfund Receivables, Payables, and Transfers
5. Restricted Assets
6. Capital Assets
7. Capital Lease
8. Long-Term Debt
9. Landfill Closure and Postclosure Care Cost
10. Retirement Systems
11. Deficit Fund Equity
12. Post Employment Health and Dental Care Benefits
13. Industrial Revenue Bonds
14. Risk Management
15. Commitments and Contingencies
16. New Governmental Accounting Standards Board (GASB) Standards

**CITY OF MUSCATINE, IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Muscatine, Iowa, was chartered in 1851 under the laws of the state of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a Mayor/Council/City Administrator form of government and provides a broad range of services to its citizens, including general government, public safety, public works, community development, cultural and park facilities. The City also operates an airport, parking facilities, public housing facilities, transit system, sewer and sanitation utilities, a municipal golf course, public library and a municipal museum and art center.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Muscatine and its component units, entities for which the City is considered to be financially accountable. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

**Discretely Presented Component Units**

**Muscatine County Solid Waste Agency (Agency).** The Agency has been organized as a joint venture under Chapter 28E of the Code of Iowa between the City of Muscatine; Muscatine County; and the municipalities of Fruitland, Stockton, West Liberty, and Wilton, Iowa. The Agency is responsible for the disposal of all solid waste for member municipalities and unincorporated portions of Muscatine County.

The City of Muscatine appoints a representative to the Agency's governing board whose vote (based on the City's population) accounts for 56% of the board's voting authority. A two-thirds vote is required for board action; therefore, the City does not appoint a voting majority of the Agency's governing board. Nonetheless, the Agency is considered a component unit of the City because of its fiscal dependence on the City. The City Council approves the Agency's budget, sets its rates, and approves any debt issuances.

The Agency has a June 30 year-end. Separate financial statements are not issued for the Agency, and the Agency accounts for all of its financial transactions in a single fund.

**Muscatine Power & Water (MP&W).** MP&W is a municipal utility which provides water, electric and communication service to users within the City of Muscatine and in other urban and rural areas within Muscatine County. MP&W's governing board is appointed by the Mayor and approved by the City Council. MP&W provides a financial benefit to the City by providing electricity for City buildings and all street and traffic lighting free of charge to the City.

MP&W has a December 31 year-end. Complete financial statements for MP&W may be obtained at its administrative offices at Muscatine Power & Water, 3205 Cedar Street, Muscatine, Iowa 52761.

## Joint Venture

The City is a member organization along with Muscatine County and Muscatine Power and Water in a joint venture organized under Chapter 28E of the Iowa Code to develop and operate the Muscatine Area Geographic Information Consortium (MAGIC). The purpose of MAGIC is to improve the efficiency and effectiveness of its member organizations through the coordinated development of geographic and land information systems technology and data. A six-member board composed of two appointees from each member organization governs MAGIC. Each member organization has one vote on all matters. Each member organization is responsible for one-third of the operating expenses incurred by MAGIC. In the event MAGIC is terminated, the material benefits realized from the liquidation of any and all of its assets shall be divided among the participating organizations on a pro rata basis after any and all claims against MAGIC have been satisfied. The intent of the organization is not to accumulate excess funds and based upon the balance at year end the future contributions are adjusted accordingly. In accordance with the Governmental Accounting Standards Board's *Codification*, a claim to assets upon the joint venture's dissolution is not considered to be an equity interest. Therefore no investment in the joint venture is reported on the face of the financial statements of the City. There are no separately issued financial statements for this joint venture.

## Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Muscatine County Joint Communications Commission; Muscatine County/Municipal Disaster Services (Civil Defense) Board; Muscatine Community Nursing Services Board; Crossroads Workshop Board; Muscatine Island Flood Control Commission; Muscatine County Assessor's Conference Board; and Muscatine County Drug Task Force.

## B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.



*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, other than agency funds. Agency funds use the full accrual basis of accounting but do not have a measurement focus and therefore report only assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period and all other revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The City has determined that there are various revenues, except for property tax revenues, including reimbursement of expenditures that are received between 60 and 90 days and therefore have adopted a 90 day availability period in order to keep the revenues and expenditures in the same current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the year for which taxes have been levied, provided they are collected within 60 days after year-end. Sales taxes are considered measurable and available at the time the underlying transaction occurs provided they are collected within 90 days after year-end. Income and other taxes are considered measurable and available when they have been collected by the state or other levying authority. Special assessments receivable are recognized at the time of their levy. The related revenue is recognized at the time the assessment is due or collected. Licenses and permits, fines and forfeitures and miscellaneous revenue are recognized as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recognized as earned.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *employee benefits fund* accounts for property taxes levied for police and fire retirement contributions, FICA and IPERS, and other employee benefits, as provided in Section 384.6 of the Code of Iowa.

The *local option sales tax fund* accounts for revenue from the 1% local option tax approved by the voters of the City and designated for storm and sanitary sewer improvements. Effective May 1, 2003, voters approved using up to 10% of future local option tax for the Pearl of the Mississippi Project.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The *water pollution control fund* accounts for the operation of a municipally owned sewer treatment plant which provides services to the City. All activities necessary for such services are provided for in this fund as well as plant and various sewer system improvement projects.

The *transfer station fund* accounts for the operation of the refuse transfer station and recycling center.

Additionally, the government reports the following fund types:

*Internal service funds* account for equipment services, central supply distribution and employee health and dental benefits provided to other departments of the government on a cost reimbursement basis.

*Fiduciary fund types* are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Following is the City's fiduciary fund type:

*Agency funds* function to account for assets held by the City as an agent for payroll processing, housing programs, and miscellaneous other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer and transfer station functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### **1. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the City, the Agency, and MP&W to invest public funds in obligations of the United States government and its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City is authorized by the City Council to invest in obligations of the United States government and its agencies and instrumentalities; in certificates of deposit or other evidences of deposit at federally insured depository institutions; and investments in joint investment trusts authorized by resolution of the City Council.

Investments of the City, the Agency, and Muscatine Power & Water are stated at fair value with the exception of the investment in the Iowa Public Agency Investment Trust which is stated at amortized cost.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" to indicate the non-current nature of the interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2007, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2006 and March 31, 2007. Any County collections on the 2006-2007 tax levy remitted to the City within sixty days subsequent to June 30, 2007, are recorded as property tax revenues in the governmental fund statements. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2007, are delinquent and have been recorded as receivables and deferred revenue in the governmental fund statements. By statute, the city is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax askings and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in both the governmental fund statements and the government-wide statements.

### **3. Inventories and Prepaid Items**

Inventories of proprietary funds are recorded as expenditures when consumed rather than when purchased. The City's inventories are valued at cost using the first-in/first-out (FIFO) method. MP&W's inventories are valued at their weighted average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### **4. Restricted Assets**

Restricted assets of the Transfer Station fund represents amounts set aside under law to provide for Transfer Station closure costs.

Restricted assets of the Muscatine County Solid Waste Agency represent amounts set aside under law to provide for the cost of future landfill closure and post-closure costs.

Restricted assets of Muscatine Power & Water represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board.

### **5. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets and in the proprietary funds statement of net assets. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-50
Buildings	15-40
Building improvements	5-40
Equipment	4-20
Vehicles	4-15
Sewer system	50
Infrastructure	7-75

MP&W's utility plant is stated at original cost, which includes the cost of contracted services, material, labor, overhead and, on significant projects, an allowance for borrowed funds used during construction.

#### **6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees upon retirement or termination. Sick pay is payable upon retirement, in which event employees are paid for 40% of all eligible hours. Beginning July 1, 2000, retirement sick pay for non-union employees is paid to a post-employment health plan to be used for health care cost of the retirees. Beginning July 1, 2001, retirement sick pay for Fire bargaining unit and Blue/White Collar bargaining unit employees is also paid to the post employment health plan. A liability for those amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### **7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **8. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### **NOTE 2. BUDGETS**

The City prepares and adopts an annual budget on a function basis for the City as a whole, rather than at the fund level, as prescribed by Iowa statutes. The State of Iowa requires the annual budgets for the year beginning July 1 be certified to the County Auditor no later than March 15 preceding the beginning of the fiscal year. Preliminary budget review of all operating department requests is conducted by the City Administrator. The budget proposal as presented to the City Council by the City Administrator is a complete financial plan for the upcoming fiscal year. The proposal is submitted on or before the first Monday of February. The City Council holds various budget meetings with the City Administrator, Finance Director, department heads, and boards and commissions, as well as holding a public hearing prior to adopting the budget. The Council adopts the budget by resolution and certifies it to the County Auditor by the 15th of March preceding the beginning of the fiscal year. This budget becomes the appropriation for the operations of the City.

After the initial annual budget is adopted, it may be amended for specified purposes. Budget amendments must be prepared and adopted in the same manner as the original budget. Management is not authorized to amend the budget or to make budgetary transfers between functions without the approval of the City Council. For the year ended June 30, 2007, the budget was amended three times to increase expenditures \$3,813,297 primarily for public improvements and emergency events. These events were the golf course maintenance building fire on May 31, 2007 and the June 1, 2007 tornado.

The City Council also approves a five-year capital improvement program. This capital improvement program is reviewed and revised annually by the City Council; a public hearing also is held in regard to proposed capital improvements for the City.

Annual budgets are adopted for all funds, with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America, except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. These budgets are presented in a function format. The budget must include the amount to be raised by property taxation, income from sources other than property taxation, and expenditures for each function – Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects, business-type activities and non-program. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level.

Revenue is credited to the individual fund types while expenditures/expenses are classified according to function areas within the specific funds for budgetary control purposes. Encumbrances and expenditures/expenses are compared to budget appropriations according to the ten general function designations.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances include purchase orders, contracts, and other commitments for the expenditures of resources, which reserve a portion of the appropriation. For financial reporting purposes, encumbrances outstanding at year-end are recognized and reflected as a reserved portion of the fund balance. Actual expenditures are recognized only when the goods or services are actually received.

For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. Unencumbered appropriations lapse at year-end.

For budgetary purposes, all general obligation bond payments, including those which for financial reporting purposes are accounted for through the enterprise funds, are budgeted through the debt service fund.

Actual expenditures for the year did not exceed the budgeted amounts in any of the functional areas.

### **NOTE 3. DEPOSITS AND INVESTMENTS**

The deposits and investments of the Solid Waste Agency are pooled with those of the City. Disclosures referring to deposits and investments of the City include the pooled amounts belonging to the Agency.

As of June 30, 2007, the deposits and investments of the City consist of the following:

Petty cash and undeposited cash	\$ 63,249
Cash in bank	35,153
Savings accounts	36,342
Money market accounts	160,388
Iowa Public Agency Investment Trust	1,531,795
Certificates of deposit	<u>14,895,000</u>
	<u>\$ 16,721,927</u>

As of June 30, 2007 the carrying amount of the City's deposits with financial institutions totaled \$15,188,262 and the bank balances were \$15,407,672. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City invests in the Diversified portfolio of the Iowa Public Agency Investment Trust (IPAIT). IPAIT was created pursuant to Iowa Code Chapter 28E in 1987 to enable eligible Iowa public agencies to safely and effectively invest their available operating and reserve funds. The Diversified portfolio has followed established money market mutual fund investment parameters designed to maintain a \$1 per unit net asset value since inception and was registered with the Securities and Exchange Commission (SEC) in accordance with 17 C.F.R. Section 270.2a-7 in May 1993. The Diversified Fund was among the first local government investment pools in the country to do so and has been formally regulated by the SEC since that time. The fair value of the City's position in the IPAIT pool is the same as the value of the pool.

**Interest rate risk** – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**Credit risk** – The City’s investment policy provides that City funds may be invested in interest bearing money market accounts, interest bearing checking accounts and certificates of deposit at any approved bank in the City of Muscatine. Approved banks must be on the list of banks approved for public investments by the Treasurer of the State of Iowa and investments must be entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. City funds may also be invested in obligations of the United States government, its agencies and instrumentalities and in the Iowa Public Agency Investment Trust (IPAIT). The City’s investment in IPAIT is unrated.

**Concentration of credit risk** – The City’s investment policy is to diversify its investment portfolio. Assets shall be diversified, where possible, to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

**Custodial credit risk – deposits** – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**Custodial credit risk – investments** – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no custodially-held investments during the year.

As of December 31, 2006 MP&W's deposits and investments consist of the following:

	<u>Fair Value</u>
Cash in bank	\$ 24,155
U.S. government securities	<u>59,023,720</u>
	<u>\$ 59,047,875</u>

As of December 31, 2006 the carrying amount of MP&W's deposits with financial institutions totaled \$21,862, and the bank balances were \$931,835. These bank balances were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

It is the policy of Muscatine Power & Water to maintain all deposits and investments within category one in accordance with GASB No. 3 which includes authorized investment vehicles that are insured or registered or which are collateralized by or evidenced by securities held by the utility or its agent in the utility’s name.



## Credit Risk

As of December 31, 2006, Muscatine Power & Water's investments were rated as follows:

<i>Investment Type</i>	<i>Standard &amp; Poor's</i>	<i>Moody's</i>
US agencies	AAA	Aaa

It is the policy of Muscatine Power & Water to have securities held by the utility or a third party custodian and rated within the highest or second highest rating category of a nationally recognized rating agency.

## Concentration of Credit Risk

At December 31, 2006, Muscatine Power & Water investments held with issuers, each totaling more than 5 percent of the total portfolio, were concentrated as follows:

<i>Issuer</i>	<i>% of Portfolio</i>
Federal Home Loan Mortgage Corporation	16.9%
Federal Home Loan Bank	66.8%
Federal Home Loan Bank	13.5%

It is the policy of Muscatine Power & Water to diversify its investment portfolio. Assets are diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

## Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. At December 31, 2006, Muscatine Power & Water's investments were as follows:

<i>Investment Type</i>	<i>Maturity In Years</i>			
	<i>Fair Value</i>	<i>Less than 1 Year</i>	<i>1-5 Years</i>	<i>Greater than 5 Years</i>
U.S. agencies	\$ 43,523,720	\$ 21,828,770	\$ 18,376,169	\$ 3,318,781

Muscatine Power & Water's investment policy addresses maturity limitations by requiring operating funds to be invested in instruments that mature within 397 days. Non-operating funds may be invested in instruments with maturities longer than 397 days as long as the maturities are consistent with the needs and use of the utility. One of the investment policy's primary objectives is to maintain the necessary liquidity to match expected liabilities.

#### NOTE 4. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at June 30, 2007 consist of the following:

		Due from					
Due to		Employee Benefits	Nonmajor Governmental	Transfer Station	Nonmajor Enterprise	Internal Service	Fiduciary
	Totals						
Local option sales tax	\$	-	\$ 783,557	\$ -	\$ -	\$ -	\$ -
Nonmajor governmental		58,090	164,546	-	-	-	-
Water pollution control		-	-	657,134	217,993	-	-
Nonmajor enterprise		-	-	-	4,946	-	-
Internal service		-	-	-	-	11,063	-
Fiduciary		-	-	-	-	-	52,782
Total	\$	58,090	\$ 948,103	\$ 657,134	\$ 222,939	\$ 11,063	\$ 52,782
							\$ 1,950,111

The \$657,134 balance due from the Transfer Station is the result of a loan for working capital needs resulting from amounts in accounts receivable at year end and reduced waste volumes being received at this facility. It is not expected that this amount will be eliminated in the subsequent year. Of the non-major governmental balance due from other funds \$783,557 is due to a loan needed until future pledges and local option tax revenue are received to complete the financing for the Pearl of the Mississippi capital project. These funds will be received over the next two years to eliminate this loan.

The remaining balances result from (1) working capital for inventory in the internal service funds, and (2) the time lag of receipts into the various funds.

Interfund transfers for the year are as follows:

		Transfers from					
Transfers to		General	Employee Benefits	Local Option Sales Tax	Debt Service	Nonmajor Governmental	Internal Service
	Totals						
General	\$	-	\$ 2,697,716	\$ -	\$ -	\$ 1,955,069	\$ 45,395
Nonmajor governmental		209,353	-	258,959	-	617,313	-
Water pollution control		-	-	1,670,212	-	-	-
Transfer station		-	-	-	752,824	-	-
Nonmajor enterprise		207,512	-	-	-	-	-
Total	\$	416,865	\$ 2,697,716	\$ 1,929,171	\$ 752,824	\$ 2,572,382	\$ 45,395
							\$ 8,414,353

Transfers are used to move revenues from the fund that State statutes or the budget requires them to be collected in to the fund the State statutes or the budget requires them to be expended.

#### NOTE 5. RESTRICTED ASSETS

Transfer Station assets of \$22,523 at June 30, 2007 are classified as restricted because their use is restricted to provide for Transfer Station closure costs.

Solid Waste Agency assets of \$717,989 at June 30, 2007 are classified as restricted because their use is restricted to provide for the cost of future landfill closure and post-closure costs.

MP&W's restricted assets represent amounts set aside under the terms of the bond resolutions relating to the utility's revenue bonds or by the Board. In accordance with the covenants of the bond resolutions, the amounts have been segregated into various funds or accounts. The rate stabilization fund and the depreciation, extension and improvement fund may be used for capital or other funding requirements, and the extraordinary operation and maintenance account may be used for extraordinary operating expenses at the discretion of the Board.

The composition of the restricted funds as of December 31, 2006, was as follows:

Current accounts:	
Bond sinking fund	\$ 13,979,452
Rate stabilization fund	5,867,394
Extraordinary operation and maintenance account	<u>29,455,227</u>
Total restricted assets	<u>\$ 49,302,073</u>

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 is as follows:

### Primary government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 8,814,037	\$ -	\$ -	\$ 8,814,037
Art work	4,950,176	308,350	-	5,258,526
Construction in progress	<u>1,256,084</u>	<u>81,683</u>	<u>(1,243,979)</u>	<u>93,788</u>
Total capital assets, not being depreciated	<u>15,020,297</u>	<u>390,033</u>	<u>(1,243,979)</u>	<u>14,166,351</u>
Capital assets, being depreciated:				
Land improvements	13,664,476	1,122,260	-	14,786,736
Buildings	7,673,961	37,722	-	7,711,683
Building improvements	949,741	137,391	-	1,087,132
Equipment	4,708,260	82,356	(206,570)	4,584,046
Vehicles	3,749,601	629,784	(129,123)	4,250,262
Infrastructure	<u>47,908,071</u>	<u>2,188,529</u>	<u>(34,112)</u>	<u>50,062,488</u>
Total capital assets, being depreciated	<u>78,654,110</u>	<u>4,198,042</u>	<u>(369,805)</u>	<u>82,482,347</u>
Less accumulated depreciation for:				
Land improvements	(4,575,713)	(629,323)	-	(5,205,036)
Buildings	(3,967,586)	(179,086)	-	(4,146,672)
Building improvements	(323,676)	(66,792)	-	(390,468)
Equipment	(2,343,577)	(290,402)	131,976	(2,502,003)
Vehicles	(2,664,104)	(268,455)	114,816	(2,817,743)
Infrastructure	<u>(19,624,410)</u>	<u>(1,287,995)</u>	<u>19,565</u>	<u>(20,892,840)</u>
Total accumulated depreciation	<u>(33,499,066)</u>	<u>(2,722,053)</u>	<u>266,357</u>	<u>(35,954,762)</u>
Total capital assets, being depreciated, net	<u>45,155,044</u>	<u>1,475,989</u>	<u>(103,448)</u>	<u>46,527,585</u>
Governmental activities capital assets, net	<u>\$ 60,175,341</u>	<u>\$ 1,866,022</u>	<u>\$ (1,347,427)</u>	<u>\$ 60,693,936</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,626,089	\$ 197,056	\$ -	\$ 2,823,145
Construction in progress	<u>3,146,560</u>	<u>3,083,117</u>	<u>(5,457,970)</u>	<u>771,707</u>
Total capital assets, not being depreciated	<u>5,772,649</u>	<u>3,280,173</u>	<u>(5,457,970)</u>	<u>3,594,852</u>
Capital assets, being depreciated:				
Land improvements	10,527,874	45,621	-	10,573,495
Buildings	46,902,923	-	(14,929)	46,887,994
Building improvements	2,930,033	156,363	-	3,086,396
Equipment	3,354,159	1,303,474	(180,289)	4,477,344
Vehicles	2,859,271	54,599	(393,136)	2,520,734
Sewer system	<u>27,596,565</u>	<u>4,112,183</u>	<u>-</u>	<u>31,708,748</u>
Total capital assets, being depreciated	<u>94,170,825</u>	<u>5,672,240</u>	<u>(588,354)</u>	<u>99,254,711</u>
Less accumulated depreciation for:				
Land improvements	(6,752,874)	(556,641)	-	(7,309,515)
Buildings	(22,730,335)	(1,109,452)	10,815	(23,828,972)
Building improvements	(1,329,216)	(146,753)	-	(1,475,969)
Equipment	(1,491,872)	(281,380)	70,983	(1,702,269)
Vehicles	(1,582,798)	(242,327)	380,484	(1,444,641)
Sewer system	<u>(8,408,041)</u>	<u>(593,054)</u>	<u>-</u>	<u>(9,001,095)</u>
Total accumulated depreciation	<u>(42,295,136)</u>	<u>(2,929,607)</u>	<u>462,282</u>	<u>(44,762,461)</u>
Total capital assets, being depreciated, net	<u>51,875,689</u>	<u>2,742,633</u>	<u>(126,072)</u>	<u>54,492,250</u>
Business type activities capital assets, net	<u>\$ 57,648,338</u>	<u>\$ 6,022,806</u>	<u>\$ (5,584,042)</u>	<u>\$ 58,087,102</u>

Depreciation expense was charged to functions of the primary government as follows:

<b>Governmental activities:</b>	
Public safety	\$ 276,344
Public works	1,440,798
Culture and recreation	960,642
Community and economic development	8,631
General government	33,661
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>1,978</u>
Total depreciation expense – governmental activities	<u>\$ 2,722,054</u>
<b>Business-type activities:</b>	
Water pollution control plant	\$ 1,614,967
Refuse collection	80,343
Transfer station	281,862
Airport	437,706
Parking	34,054
Transit	75,147
Golf course	72,805
Boat harbor	9,807
Ambulance	54,650
Public housing	<u>268,266</u>
Total depreciation expense – business-type activities	<u>\$ 2,929,607</u>

## Discretely presented component units

Activity for the Solid Waste Agency for the year ended June 30, 2007 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:				
Land	\$ 1,080,608	\$ -	\$ -	\$ 1,080,608
Construction in progress	27,046	-	(27,046)	-
Total capital assets, not being depreciated	1,107,654	-	(27,046)	1,080,608
Capital assets, being depreciated:				
Land improvements	41,975	-	-	41,975
Buildings	37,314	-	-	37,314
Equipment	9,237	-	-	9,237
Leachate collection system	564,686	52,149	-	616,835
Total capital assets, being depreciated	653,212	52,149	-	705,361
Less accumulated depreciation for:				
Land improvements	(17,870)	(3,124)	-	(20,994)
Buildings	(10,728)	(933)	-	(11,661)
Equipment	(6,005)	(924)	-	(6,929)
Leachate collection system	(153,762)	(19,344)	-	(173,106)
Total accumulated depreciation	(188,365)	(24,325)	-	(212,690)
Total capital assets, being depreciated, net	464,847	27,824	-	492,671
Solid Waste Agency capital assets, net	\$ 1,572,501	\$ 27,824	\$ (27,046)	\$ 1,573,279

Activity for Muscatine Power & Water for the year ended December 31, 2006 was as follows.

	<b>Beginning Balance</b>	<b>Increases/ Reclassifications</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
Capital assets, not being depreciated:					
Land and land rights	\$ 2,933,797	\$ -	\$ -	\$ -	\$ 2,933,797
Construction work in progress	2,748,263	8,148,364	(184,993)	(9,626,508)	1,085,126
Total capital assets, not being depreciated	5,682,060	8,148,364	(184,993)	(9,626,508)	4,018,923
Capital assets, being depreciated:					
Generation plant	309,839,729	22,864	(1,211,937)	6,543,512	315,194,168
Transmission and distribution plant	50,111,960	607,725	(317,492)	801,104	51,203,297
General plant	19,681,756	120,216	(684,346)	1,195,779	20,313,405
Source of supply	1,451,993	-	(41,794)	238,623	1,648,822
Pumping equipment	1,167,431	(1,988)	(68,288)	211,334	1,308,489
Purification equipment	1,022,495	23,721	-	-	1,046,216
Distribution system	13,446,919	113,116	(41,477)	282,146	13,800,704
Network operations plant	22,689,605	965,133	(661,517)	354,010	23,347,231
Total capital assets being depreciated	419,411,888	1,850,787	(3,026,851)	9,626,508	427,862,332
Less accumulated depreciation for:					
Generation plant	(185,755,936)	(10,097,208)	1,211,937	-	(194,641,207)
Transmission and distribution plant	(31,180,181)	(1,918,776)	307,768	-	(32,791,189)
General plant	(12,154,143)	(1,495,845)	579,920	-	(13,070,068)
Unallocated contribution in aid of construction	(660,488)	-	-	-	(660,488)
Source of supply	(938,592)	(48,396)	51,189	-	(935,799)
Pumping equipment	(524,527)	(38,112)	83,616	-	(479,023)
Purification system	(609,078)	(27,168)	-	-	(636,246)
Distribution system	(4,628,092)	(295,572)	56,418	-	(4,867,246)
Network operations plant and general plant	(11,024,515)	(2,086,586)	677,093	-	(12,434,008)
Total accumulated depreciation	(247,475,552)	(16,007,663)	2,967,941	-	(260,515,274)
Total capital assets, being depreciated, net	171,936,336	(14,156,876)	(58,910)	9,626,508	167,347,058
Muscatine Power & Water capital assets, net	\$ 177,618,396	\$ (6,008,512)	\$ (243,903)	\$ -	\$ 171,365,981

## NOTE 7. CAPITAL LEASE

The government has entered into a lease agreement as lessee for financing the acquisition of finance department equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

Copier	\$ 14,863
Less accumulated depreciation	<u>(13,378)</u>
Book value June 30, 2007	<u>\$ 1,485</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007 were as follows:

### Year Ending June 30

2008	<u>\$ 3,198</u>
Total minimum lease payments	3,198
Less: amount representing interest	<u>(102)</u>
Present value of minimum lease payments	<u>\$ 3,096</u>

## NOTE 8. LONG-TERM DEBT

**General Obligation Bonds.** The general obligation bonds outstanding as of June 30, 2007 total \$12,015,575. These bonds bear interest at rates ranging from 2.05% to 5.20%. Portions of the general obligation bond issues have been used to acquire or expand the enterprise fund facilities. In some instances, revenue generated by the enterprise funds is used to pay the general long-term debt principal and interest. The liability for those bonds, which are expected to be paid by the enterprise funds, is included in those funds.

General obligation bonds as of June 30, 2007 consist of the following individual issues:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rates</u>	<u>Balance 6/30/2007</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
General obligation bonds							
General corporate	12/1/1995	\$ 3,800,000	4.70-5.20%	\$ 1,293,756	(1) \$	-	\$ 1,293,756
General corporate	6/1/1998	7,765,000	4.50-4.80	3,558,251	(2)	80,000	3,478,251
General corporate	6/1/1999	3,910,000	4.40	893,733	(3)	60,000	833,733
General corporate	6/1/2001	4,300,000	4.125-4.40	2,150,000		2,150,000	-
General corporate	6/1/2003	1,780,000	2.05-3.00	1,193,828	(4)	1,193,828	-
General corporate	6/1/2006	2,990,000	3.70-4.00	2,926,007	(5)	2,926,007	-
				<u>\$ 12,015,575</u>		<u>\$ 6,409,835</u>	<u>\$ 5,605,740</u>

1. Net of unamortized discount of \$6,244
2. Net of unamortized discount/charge of \$276,749
3. Net of unamortized discount of \$6,267
4. Net of unamortized discount of \$6,172
5. Net of unamortized discount of \$13,993

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental</b>		<b>Business-Type</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2008	\$ 1,072,416	\$ 243,148	\$ 996,437	\$ 276,980
2009	1,032,416	203,450	1,031,439	230,290
2010	1,042,416	164,668	644,573	181,595
2011	1,087,416	124,423	679,573	149,560
2012	532,417	81,705	714,573	115,433
2013-2016	1,642,754	150,979	1,539,145	119,888
	<u>\$ 6,409,835</u>	<u>\$ 968,373</u>	<u>\$ 5,605,740</u>	<u>\$ 1,073,746</u>

**Tax Increment Revenue Bonds.** The City issued \$1,795,000 of tax increment revenue bonds in June 1997. The proceeds of these bonds are to be used to pay a portion of the cost of carrying out projects in the Downtown Urban Renewal Area. Repayment of these bonds is to come from the incremental taxes from the Downtown Tax Increment Fund. In April 2004 the City issued an additional \$420,000 of tax increment revenue bonds for property acquisition in the Downtown Urban Renewal Area and in June 2004 \$1,885,000 of tax increment bonds were issued to fund public improvements in the Southend Urban Renewal Area.

Tax increment revenue bonds as of June 30, 2007 consist of the following issues:

	<b><u>Issue Date</u></b>	<b><u>Amount Issued</u></b>	<b><u>Interest Rates</u></b>	<b><u>Balance June 30, 2007</u></b>
<b>Tax Increment Revenue Bonds:</b>				
Urban Renewal Tax Increment Revenue Bonds	6/26/1997	\$ 1,795,000	5.25-5.75%	\$ 750,000
Urban Renewal Tax Increment Revenue Bonds	4/23/2004	420,000	1.80-4.25	325,000
Urban Renewal Tax Increment Revenue Bonds	6/24/2004	1,885,000	2.15-5.90	<u>1,625,000</u>
				<u>\$ 2,700,000</u>

Annual debt service requirements to maturity for tax increment revenue bonds are as follows:

<b>Year Ending June 30</b>	<b>Governmental</b>	
	<b>Principal</b>	<b>Interest</b>
2008	\$ 285,000	\$ 135,088
2009	300,000	122,616
2010	310,000	108,933
2011	325,000	94,173
2012	340,000	78,323
2013-2017	575,000	252,328
2018-2021	565,000	82,425
	<u>\$ 2,700,000</u>	<u>\$ 873,886</u>

**Changes in Long-Term Debt.** Long-term liability activity for the year ended June 30, 2007 was as follows:

**Primary government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 7,490,000	\$ -	\$ (1,060,000)	\$ 6,430,000	\$ 1,075,000
Tax increment revenue bonds	2,980,000	-	(280,000)	2,700,000	285,000
Less issuance discounts	(22,747)	-	2,582	(20,165)	(2,584)
Total bonds payable	10,447,253	-	(1,337,418)	9,109,835	1,357,416
Capital leases	6,273	-	(3,176)	3,097	3,097
Compensated absences	1,053,244	601,136	(592,270)	1,062,110	496,411
Governmental activity long-term liabilities	<u>\$ 11,506,770</u>	<u>\$ 601,136</u>	<u>\$ (1,932,864)</u>	<u>\$ 10,175,042</u>	<u>\$ 1,856,924</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 6,880,000	\$ -	\$ (985,000)	\$ 5,895,000	\$ 1,040,000
Less issuance discounts	(332,822)	-	43,562	(289,260)	(43,563)
Total bonds payable	6,547,178	-	(941,438)	5,605,740	996,437
Compensated absences	328,132	248,598	(253,630)	323,100	205,360
Business-type activity long-term liabilities	<u>\$ 6,875,310</u>	<u>\$ 248,598</u>	<u>\$ (1,195,068)</u>	<u>\$ 5,928,840</u>	<u>\$ 1,201,797</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for these funds are included as part of the above totals for governmental activities. At year-end \$33,086 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the general fund.

**Discretely presented component units**

Activity for the Solid Waste Agency for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 8,125	\$ 1,840	\$ (9,761)	\$ 204	\$ 204

Activity for Muscatine Power & Water Electric Utility for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Series 2001 revenue bonds	\$ 49,090,000	\$ -	\$ -	\$ 49,090,000
Series 2002 revenue bonds	36,535,000	-	(11,780,000)	24,755,000
	85,625,000	-	(11,780,000)	73,845,000
Unamortized portion of deferred loss on refundings	(1,755,944)	-	621,201	(1,134,743)
Unamortized portion of revenue bond premiums	1,483,467	-	(336,431)	1,147,036
Total long-term debt	85,352,523	\$ -	\$ (11,495,230)	73,857,293
Less current installments	11,780,000			12,160,000
Long-term debt, net of current portion	<u>\$ 73,572,523</u>			<u>\$ 61,697,293</u>



The revenue bonds, which rank on a parity with each other, are secured by future net revenues of the electric utility as defined in the bond resolutions. At December 31, 2006, they mature and bear interest as follows:

<u>Maturity Date</u>	Series 2002		Series 2001	
	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
January 1,				
2007	\$ 12,160,000	3.6%		-
2008	12,595,000	4.0	-	-
2009	-	-	\$ 11,305,000	5.5%
2010	-	-	11,930,000	5.5
2011	-	-	12,585,000	5.5
2012	-	-	13,270,000	5.5
	<u>\$ 24,755,000</u>		<u>\$ 49,090,000</u>	

In prior years, the Utility provided for the advance refunding of certain revenue bonds. In connection with these advance refundings, the Utility deposited certain amounts in irrevocable trust funds for the repayment of all principal and interest on the advance refunded bonds. The Utility is contingently liable for repayment of these bonds which in the aggregate amounted to \$76,980,000 at December 31, 2006. The bonds and corresponding trust funds are not included on the balance sheet at December 31, 2006 as the outstanding bonds are considered defeased.

The bond resolutions contain certain covenants which among others, require the collection, segregation and distribution of utility plant revenue into various segregated funds, place certain restrictions on future borrowing and leasing or disposition of assets, require the maintenance of a minimum debt service coverage ratio and require that minimum insurance coverage be maintained.

#### **NOTE 9. LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the Muscatine County Solid Waste Management Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Agency reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,326,255 reported as landfill closure and post closure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 60.4% of the estimated capacity of the current landfill property. The Agency will recognize the remaining estimated cost of closure and post closure care of \$436,245 as the remaining estimated capacity is filled over the 21 remaining years.

These amounts are based on what it would cost to perform all closure and post closure care in 2007. The Agency expects the currently-permitted landfill property to reach its capacity in 2028. Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Agency has begun to accumulate resources to fund these costs in accordance with state and federal requirements.

## **NOTE 10. RETIREMENT SYSTEMS**

### **Iowa Public Employees Retirement System**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

In the current year plan members were required to contribute 3.70% of their annual covered salary and the City was required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$356,337, \$345,326, and \$341,440, respectively, equal to the required contributions for each year.

### **Municipal Fire and Police Retirement System of Iowa**

The City contributes to the Municipal Fire and Police Retirement System of Iowa, which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by State statute. The City's contributions to the Plan for the years ended June 30, 2007, 2006 and 2005 were \$917,640, \$905,847 and \$800,972, respectively, which met the required minimum contribution for each year.

### **International City Management Association**

According to specific provisions of the State Code of Iowa, a police chief or a fire chief of a local participating government may request from the Police Retirement Board or Fire Retirement Board exemption from the retirement system. This exemption allows that such contributions of the City for their retirement may be made to the International City Management Association's (ICMA) retirement program. The amount is not to exceed an amount which would have been made under the provisions of Section 411 of the State Code of Iowa. The police chief of the City has taken this option. Therefore, during the year the City has contributed a total of \$8,987 to this retirement program for the police chief. The City's contribution rate was comparable to the FICA and IPERS rates for other City employees.

Also, the Iowa Public Employees Retirement System regulations exempt the City Administrator from participating in the state retirement system. Therefore, the City has made a retirement contribution to the ICMA retirement system for the City Administrator in lieu of IPERS. For the year ended June 30, 2007, this contribution totaled \$7,884, which represents a contribution level of 6% plus a lump sum contribution of \$1,500.

**NOTE 11. DEFICIT FUND EQUITY**

Several funds of the City have a fund balance deficit or have a deficit net assets as of June 30, 2007. These funds and the amount of the deficit are as follows:

<u>Fund</u>	<u>Deficit Amount</u>
Special revenue:	
Employee benefits	\$ 28,536
Capital projects:	
Community development improvements	7,064
Street and sidewalk improvements	98
Other street improvements	32,122
Pearl of the Mississippi project	831,674
Other public improvements	79,549

None of these deficits are considered a violation of any law, and they are all expected to be eliminated through future operations.

**NOTE 12. POST EMPLOYMENT HEALTH AND DENTAL CARE BENEFITS**

The City provides certain health care benefits for its retired employees. Upon normal retirement, employees have the option of continuing health and dental insurance coverage at their cost until the age of 65. For the year ended June 30, 2007, twenty-nine individuals participated in this continuation of health insurance coverage at a cost to these individuals of \$145,667.

The City, additionally, has an employee benefit program for employees laid off as a result of budget reductions. The employee must be at least 55 years of age but no more than 65 years of age except for the case of a police officer or a firefighter who must be at least 50 years of age but no more than 55 years of age. Employees must also have had at least 15 years of continuous service with the City. The City will provide 100% paid single medical insurance for the employee until the employee reaches the age of 65 or until the employee is re-employed in a position where medical insurance is available or obtains medical insurance from another source. The City will pay 90% of the family coverage if such individual had family coverage during the time of employment for a period of one year after termination after which the City will pay 75% the second year, 50% the third year and 25% after the fourth year. Participation by the City will cease in the fifth year. For police officers and firefighters, this provision is effective until the age of 55. For the year ended June 30, 2007, three individuals were eligible for benefits under this program at a cost to the City of \$17,178.

In 1986, Congress approved the Consolidated Omnibus Budget Reconciliation Act of 1986 which includes the provision for the continuation of group insurance coverage to either the employee or dependents depending upon the circumstances. For the City, this coverage includes health insurance and dental insurance. The death of a covered employee, a divorce or legal separation of the covered employee from the employee's spouse, the covered employee's commencement of Medicare coverage, the cessation of a dependent child's coverage under the terms of the plan, the termination of employment other than by reason of gross misconduct of the covered employee or the reduction of hours of the employee are events which would allow for such continuation. The continuation period is thirty-six months except for the termination of employment or reduction of hours, which allows for only an eighteen-month period. The premium for coverage during the continuation period is to be paid by the employee or the employee's dependent to the City on a monthly basis. It is the employee's responsibility to notify the employer of any change in status, which might involve the continuation of coverage. For the year ended June 30, 2007, three individuals participated in the continuation of insurance coverage at a cost to the individuals of \$3,970.

#### **NOTE 13. INDUSTRIAL REVENUE BONDS**

The City has, during recent years, participated in several issues of industrial revenue bonds, issued for the purpose of constructing privately owned manufacturing and other related facilities within the City. These bonds are neither direct nor contingent liabilities of the City. The revenue from property purchased with the bond proceeds is pledged for the full payment of principal and interest on the bonds, and the bondholders can look only to these sources for repayment. The total bonds outstanding for all issues is approximately \$6,170,000 as of June 30, 2007.

#### **NOTE 14. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance.

The City has established a Health Insurance Fund for insuring benefits provided to City employees and covered dependents which is included in the Internal Service Funds. Health benefits were self-insured up to a specific stop loss amount of \$75,000, and an aggregate stop loss of approximately \$2,250,000 for 2007. Coverage from a private insurance company is maintained for losses in excess of the aggregate stop loss amount. All claims handling procedures are performed by a third party claims administrator. Incurred but not reported claims have been accrued as a liability based upon the claims administrator's estimate. The estimated liability does not include any allocated or unallocated claims adjustment expense. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

All funds of the City participate in the program and make payments to the Health Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims. The claims liability of \$134,662 in the Health Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in reported liabilities for the fiscal years ended June 30, 2007 and 2006 are summarized as follows:

Liabilities at July 1, 2005	\$ 343,773
Claims and changes in estimates during fiscal year 2006	1,773,610
Claim payments	<u>(1,871,653)</u>
Liabilities at June 30, 2006	\$ 245,730
Claims and changes in estimates during fiscal year 2007	2,120,701
Claim payments	<u>(2,231,769)</u>
Liabilities at June 30, 2007	<u>\$ 134,662</u>

#### **NOTE 15. COMMITMENTS AND CONTINGENCIES**

The City Attorney has reported that as of June 30, 2007, there were claims and losses that are on file against the City. The City has the authority to levy additional taxes outside the regular limit to fund any uninsured judgment against the City. However, it is estimated that the potential settlement of these claims not covered by insurance would not materially affect future financial statements of the City.

Additionally, the employee benefit program for employees laid off as a result of budget reductions allows for the lump sum payment for unused sick leave in accordance with the standard policy currently in effect. The sick leave payoff provision is provided to all employees who are laid off as part of the budgetary process regardless of age or length of City employment. For the year ended June 30, 2007, there was a payment to one employee of \$7,254 under this program.

The City has various outstanding contracts, which are accounted for in the Capital Projects, Water Pollution Control and Airport Funds. The remaining commitment on these contracts as of June 30, 2007, is \$3,112,707.

As a member of the Muscatine Area Geographic Information Consortium (MAGIC), the City is responsible for one-third of the operating expenses incurred by MAGIC. The City's contribution for fiscal year 2008 is set at \$67,705.

The City has signed an Order for Compliance On Consent issued by the United States Environmental Protection Agency. Provisions of the Order require the City to complete separation of the combined sewers in the Hershey Avenue combined sewer area by December 31, 2011, and separation of the remaining combined portions of the sewer system including the West Hill area by December 31, 2024. Preliminary cost estimates for the projects could reach or exceed \$40 million. Estimates will be re-evaluated as planning progresses. It is anticipated that the majority of the cost of these projects will be funded by the proceeds from the 1% local option sales tax.

The Solid Waste Agency had no contract commitments as of June 30, 2007.

The Utility has a coal supply contract for a total contract minimum of 500,000 tons of coal for the years 2007 through 2009.

The Utility has an energy supply agreement to sell 10 megawatts of annual capacity with an 85% minimum load factor through May 31, 2007, to an unaffiliated utility. The contract requires the delivery of energy only if capacity is available or energy can otherwise be acquired by Muscatine Power & Water from other sources.

The Utility has contracted to sell steam to a local customer. The ten-year agreement began July 1, 2000. The customer is obligated to take a minimum annual quantity of steam each year (2,338,920 kilopounds). As part of the contract, the Utility made capital improvements of approximately \$12 million, which are expected to be recovered in revenues from the customer under the terms of the agreement. If the customer elects to terminate the agreement before the end of the contract, the customer has agreed to reimburse the Utility for any unrecovered capital improvements.

The Utility has a rail transportation agreement with two separate companies for the delivery of coal through December 31, 2009 and December 31, 2012. The utility's first agreement is for coal shipped from Powder River Basin, Wyoming to an interchange with the local delivery carrier. The price is subject to monthly and quarterly adjustments. The Utility's minimum requirement is that all tons shipped, up to the annual tonnage nomination from Powder River Basin, Wyoming shall be covered by this agreement. In the event that the utility does not meet their minimum requirement, the utility has agreed to pay a per ton penalty for up to 1,100,000 tons annually. The second agreement covers the shipment of coal from the interchange to the utility's electric generating station by the local delivery carrier. The contract rate is determined by the interchange that the train travels through, and is adjusted quarterly. There is no annual minimum tonnage requirement.

#### **NOTE 16. NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARDS (GASB) STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued four statements not yet implemented by the City of Muscatine. The statements, which might impact the City of Muscatine, are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* issued April 2004, will be effective for the City for the fiscal year ended June 30, 2008. This statement establishes uniform financial reporting standards for other post employment benefit (OPEB) plans and supersedes the interim guidance included in statement No. 26. This statement affects reporting by administrators or trustees of OPEB plan assets or by employers or sponsors that include OPEB plan assets as trust or agency funds in their financial reports.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* issued June 2004, will be effective for the city for the fiscal year ended June 30, 2009. This statement establishes standards for the measurement, recognition, and display of (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 47, *Accounting for Termination Benefits* issued June 2005, establishes accounting standards for termination benefits. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, the Statement was effective for the fiscal year ended June 30, 2006.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* issued September 2006, will be effective for the fiscal year ending June 30, 2008. This statement establishes standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also establishes standards that apply to all intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* issued November 2006, will be effective for the fiscal year ending June 30, 2009. This statement establishes standards for accounting and financial reporting for obligations to address the current or potential detrimental effects of existing pollution.

Statement No. 50, *Pension Disclosures*, issued May 2007, will be effective for the fiscal year ending June 30, 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued June 2007 will be effective for the fiscal year ending June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope be classified as capital assets.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



City of Muscatine, Iowa

Budgetary Comparison Schedule of  
Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual - Budgetary Basis  
Budgeted Governmental and Proprietary Funds

Required Supplementary Information

For the Year Ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final Budget to Actual Variance
				Original	Final	
Revenues:						
Taxes:						
Property	\$ 10,737,977	\$ -	\$ 10,737,977	\$ 10,736,626	\$ 10,736,626	\$ 1,351
Tax increment financing	1,004,423	-	1,004,423	964,810	1,011,778	(7,355)
Other city tax	3,255,298	-	3,255,298	2,710,032	3,226,732	28,566
Licenses and permits	324,914	7,009	331,923	334,500	340,500	(8,577)
Use of money and property	654,065	1,105,190	1,759,255	1,150,010	1,452,260	306,995
Intergovernmental	5,099,960	992,789	6,092,749	6,750,190	6,265,200	(172,451)
Charges for services	418,119	9,082,778	9,500,897	9,725,450	9,922,700	(421,803)
Special assessments	3,764	1,054	4,818	5,000	4,922	(104)
Miscellaneous	1,735,951	2,506,364	4,242,315	3,877,950	4,957,860	(715,545)
Total revenues	23,234,471	13,695,184	36,929,655	36,254,568	37,918,578	(988,923)
Expenditures:						
Public safety	6,332,857	-	6,332,857	6,182,300	6,534,301	(201,444)
Public works	1,767,139	-	1,767,139	1,792,700	1,948,900	(181,761)
Health and social service	26,700	-	26,700	26,700	26,700	-
Culture and recreation	2,830,853	-	2,830,853	2,715,000	3,418,296	(587,443)
Community and economic development	2,271,322	-	2,271,322	2,370,040	2,432,071	(160,749)
General government	1,852,766	-	1,852,766	1,904,500	1,921,881	(69,115)
Debt service	3,083,265	-	3,083,265	3,113,243	3,083,313	(48)
Capital projects	2,896,999	-	2,896,999	2,259,500	3,357,700	(460,701)
Business type activities	-	15,816,620	15,816,620	15,591,182	17,045,300	(1,228,680)
Total expenditures	21,061,901	15,816,620	36,878,521	35,955,165	39,768,462	(2,889,941)
Revenues over (under) expenditures	2,172,570	(2,121,436)	51,134	299,403	(1,849,884)	1,901,018
Other financing sources (uses):						
Proceeds of capital asset sales	-	21,000	21,000	-	-	21,000
Transfers in	6,411,689	3,682,834	10,094,523	9,926,572	10,920,291	(825,768)
Transfers out	(7,620,984)	(2,473,539)	(10,094,523)	(9,926,572)	(10,920,291)	825,768
Total other financing sources (uses)	(1,209,295)	1,230,295	21,000	-	-	21,000
Net change in fund balances	963,275	(891,141)	72,134	299,403	(1,849,884)	1,922,018
Fund balances, June 30, 2006	9,659,262	7,500,198	17,159,460	13,994,833	17,158,883	577
Fund balances, June 30, 2007	\$ 10,622,537	\$ 6,609,057	\$ 17,231,594	\$ 14,294,236	\$ 15,308,999	\$ 1,922,595

City of Muscatine, Iowa  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 For the Year Ended June 30, 2007

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	GAAP Basis	Enterprise and Budgeted Internal Service Funds Budget Basis	Adjustments	Business-Type Activities - Enterprise Funds GAAP Basis
Revenues	\$ 23,234,471	\$ 70,220	\$ 23,304,691	\$ 13,695,184	\$ (3,126,469)	\$ 10,568,715
Expenditures/expenses	21,061,901	(1,344,610)	19,717,291	15,816,620	(3,438,527)	12,378,093
Net	2,172,570	1,414,830	3,587,400	(2,121,436)	312,058	(1,809,378)
Other financing sources (uses), net	(1,209,295)	(1,375,858)	(2,585,153)	1,230,295	1,400,253	2,630,548
Beginning fund balances/net assets	9,659,262	26,667	9,685,929	7,500,198	50,183,555	57,683,753
Ending fund balances/net assets	<u>\$ 10,622,537</u>	<u>\$ 65,639</u>	<u>\$ 10,688,176</u>	<u>\$ 6,609,057</u>	<u>\$ 51,895,866</u>	<u>\$ 58,504,923</u>

**CITY OF MUSCATINE, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2007**

**NOTE 1. Basis of Budgeting**

Annual budgets are adopted following required public notice and hearings for all funds with the exception of certain internal service and permanent funds, on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that encumbrances are also recognized as a valid and proper charge against the budget appropriations in the year in which the commitment was issued. Encumbrances represent commitments related to unperformed contracts for goods or services and include purchase orders, contracts or other commitments for expenditures of resources, which reserve a portion of the appropriation. For budgetary purposes, encumbrances are recognized as a valid and proper charge against the budget appropriation in the year in which the commitment was issued. Encumbrances do not lapse at year-end and provide authorization for expenditure the following year. In the preceding budget schedules, expenditures include current fiscal year encumbrances and exclude the payment of prior year encumbrances. Additionally, all general obligation bond payments including those which for accounting purposes are accounted for through enterprise funds are budgeted in the debt service fund. The annual budget may be amended during the year following statutorily prescribed procedures.

**NOTE 2. Budget Functions**

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Enterprise Funds and certain Permanent and Internal Service Funds. Although the budget document presents expenditures by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$3,813,297. A large portion of the increases in the first two budget amendments were related to capital project construction schedules. The final budget amendment of \$941,000 in June, 2007 was due to the Golf Course maintenance building fire on May 31, 2007 (\$231,500) and damages and clean-up costs for the June 1 tornado which extensively damaged several City facilities (\$709,500). These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007 expenditures in each of the nine functions did not exceed their budgeted amounts.

# **NON-MAJOR GOVERNMENTAL FUNDS**

## **SPECIAL REVENUE FUNDS**

Special Revenue Funds are utilized to account for revenues derived from specific sources which are accounted for as separate funds. These funds are as follows:

**COMMUNITY DEVELOPMENT BLOCK GRANT** - Accounts for block grants received to rehabilitate and improve designated declining areas within the City.

**ROAD USE TAX** - Accounts for road use tax allocated to the City to be used to maintain and improve the City's street system.

**EQUIPMENT REPLACEMENT** - Accounts for appropriations for and replacement of capital equipment for general operations of the City.

**COMPUTER REPLACEMENT** - Accounts for appropriations for and replacement of computer hardware and software for the general operations of the City.

**SECTION 8 HOUSING PROGRAM** - Accounts for the operations of the City's Section 8 Housing Program which provides rental assistance to low income individuals and families in the City.

**EMERGENCY TAX** - Accounts for proceeds from the \$.27 per \$1,000 emergency tax levy.

**POLICE FORFEITURES** - Accounts for funds received by the police department from seized and forfeited properties under guidelines established by the U.S. Department of Justice and the State of Iowa.

**LAW ENFORCEMENT BLOCK GRANT** - Accounts for funds received through this federal grant program which provides funding for crime prevention, law enforcement equipment and law enforcement overtime.

**DOWNTOWN TAX INCREMENT** - Accounts for the incremental taxes from the expanded Downtown Urban Renewal Area and the debt service requirements on the tax increment revenue bonds which financed improvements in the downtown area.

**SOUTHEND TAX INCREMENT** - Accounts for the incremental taxes from the Southend Urban Renewal Area which funded economic development incentives for expanding businesses in this area, other improvements in the southend area, and the debt requirements on the tax increment revenue bonds which financed improvements in the southend area.

**NORTHEAST TAX INCREMENT** - Accounts for the incremental taxes from the Northeast Urban Renewal Area.

**ART CENTER SPECIAL FUNDS** - Accounts for the Alice Dodge Schaeffer Trust, the principal and interest of which is used for the conservation of furnishings, which accompanied this trust. Also accounts for the General Donations Trust which is used for cash donations to the Art Center either for specific purchases or general donations to be used to fund acquisitions designated by the Board of Trustees of the Art Center. Also accounts for funds received from the estate of Brad Burns.

**LIBRARY SPECIAL FUNDS** - Accounts for the Library Gift and Memorial Trust used for general donations to the Musser Public Library and the Homebound Delivery Trust used for donations to further the home delivery program.

**PARKS DONATIONS** - Accounts for funds from the estate of Frank C. Bishop to be used for park improvements.

**INSURANCE FUND** - Accounts for funds returned to the City for favorable claims experience under the City's general liability and automobile liability policies.

## **CAPITAL PROJECTS FUNDS**

The Capital Projects Funds are utilized to account for financial resources to be used for the acquisition or construction of capital facilities and other major fixed assets, with the exception of those that are financed by Enterprise and Internal Service Funds. The project funds reflect the nature of the capital projects and are as follows:

**COMMUNITY DEVELOPMENT IMPROVEMENTS FUND** - Accounts for urban renewal improvements, housing rehabilitation, and building demolition projects in designated areas of the City.

**STREET AND SIDEWALK IMPROVEMENTS FUND** - Accounts for annual street resurfacing, curb replacement, and sidewalk construction programs.

**OTHER STREET IMPROVEMENTS FUND** - Accounts for other street projects throughout the City.

**RIVERFRONT IMPROVEMENT PROJECTS FUND** - Accounts for riverfront development and levee improvement projects.

**PEARL OF THE MISSISSIPPI PROJECT FUND** – Accounts for major improvement projects in the City's parks and on the riverfront.

**OTHER PUBLIC IMPROVEMENTS FUND** - Accounts for construction and improvements to City buildings, improvements of City park facilities and the geographical information system (GIS) project.

## **PERMANENT FUNDS**

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that benefit the City's programs and services.

**McWhirter-Gilmore Trust** - Accounts for funds received which accompanied the gift of the Musser Mansion museum facility. Interest earnings on this trust are used for the maintenance of the museum building.

**Perpetual Care Trust** - Accounts for the portion of cemetery lot sales designated for perpetual care.

**Perpetual Care Interest Trust** – Accounts for interest earned on cemetery perpetual care funds which is required to be used for the operation and maintenance of the cemetery facility.

**Cemetery Special Trusts** - Accounts for funds received, the interest earnings of which are designated to be used to maintain specific cemetery lots or to provide floral arrangements for these lots.

**City of Muscatine, Iowa**

**Non-Major Governmental Funds  
Combining Balance Sheet  
June 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Assets:				
Cash and pooled investments	\$ 2,202,518	\$ 380,848	\$ 16,812	\$ 2,600,178
Investments	1,304,479	-	985,000	2,289,479
Receivables (net of allowance for uncollectibles):				
Interest	22,612	5,340	7,792	35,744
Taxes	192,514	-	-	192,514
Intergovernmental	224,705	45,085	-	269,790
Accounts	2,062	-	500	2,562
Advances to other funds	<u>100,625</u>	<u>114,792</u>	<u>7,219</u>	<u>222,636</u>
Total assets	<u>4,049,515</u>	<u>546,065</u>	<u>1,017,323</u>	<u>5,612,903</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable and accruals	39,029	171,254	-	210,283
Retainages payable	-	50,622	-	50,622
Advances from other funds	42,535	898,349	7,219	948,103
Deferred revenue	<u>180,380</u>	<u>-</u>	<u>-</u>	<u>180,380</u>
Total liabilities	<u>261,944</u>	<u>1,120,225</u>	<u>7,219</u>	<u>1,389,388</u>
Fund balances:				
Reserved for:				
Advances to other funds	100,625	114,792	7,219	222,636
Housing assistance payments	518,349	-	-	518,349
Perpetual care	-	-	808,943	808,943
Endowments	-	-	193,942	193,942
Unreserved	<u>3,168,597</u>	<u>(688,952)</u>	<u>-</u>	<u>2,479,645</u>
Total fund balances	<u>3,787,571</u>	<u>(574,160)</u>	<u>1,010,104</u>	<u>4,223,515</u>
Total liabilities and fund balances	<u>\$ 4,049,515</u>	<u>\$ 546,065</u>	<u>\$ 1,017,323</u>	<u>\$ 5,612,903</u>

**City of Muscatine, Iowa**

**Non-Major Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2007**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues:				
Taxes:				
Property	\$ 1,184,021	\$ -	\$ -	\$ 1,184,021
Utility	1,077	-	-	1,077
Intergovernmental	3,685,336	939,689	-	4,625,025
Use of money and property	142,230	26,158	45,396	213,784
Special assessments	-	3,764	-	3,764
Other	133,810	643,230	8,735	785,775
	<u>5,146,474</u>	<u>1,612,841</u>	<u>54,131</u>	<u>6,813,446</u>
Total revenues				
Expenditures:				
Current:				
Public safety	6,163	-	-	6,163
Culture and recreation	45,062	-	3,228	48,290
Community and economic development	1,628,105	-	-	1,628,105
Debt service:				
Principal	280,000	-	-	280,000
Interest	147,140	-	-	147,140
Capital outlay:				
Public safety	140,645	215,013	-	355,658
Public works	-	1,605,023	-	1,605,023
Culture and recreation	32,120	897,237	-	929,357
Community and economic development	-	169,202	-	169,202
General government	56,161	10,524	-	66,685
	<u>2,335,396</u>	<u>2,896,999</u>	<u>3,228</u>	<u>5,235,623</u>
Total expenditures				
Revenues over (under) expenditures	<u>2,811,078</u>	<u>(1,284,158)</u>	<u>50,903</u>	<u>1,577,823</u>
Other financing sources (uses):				
Transfers in	164,185	921,440	-	1,085,625
Transfers out	(2,486,418)	(50,000)	(35,964)	(2,572,382)
	<u>(2,322,233)</u>	<u>871,440</u>	<u>(35,964)</u>	<u>(1,486,757)</u>
Total other financing sources (uses)				
Net change in fund balances	488,845	(412,718)	14,939	91,066
Fund balances, June 30, 2006	<u>3,298,726</u>	<u>(161,442)</u>	<u>995,165</u>	<u>4,132,449</u>
Fund balances, June 30, 2007	<u>\$ 3,787,571</u>	<u>\$ (574,160)</u>	<u>\$ 1,010,104</u>	<u>\$ 4,223,515</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Balance Sheet  
June 30, 2007

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Assets:							
Cash and pooled investments	\$ -	\$ 564,966	\$ 25,801	\$ 8,095	\$ 679	\$ -	\$ 5,076
Investments	-	-	-	-	604,479	-	-
Receivables (net of allowance for uncollectibles):							
Interest	-	-	1,410	98	2,452	-	-
Taxes	-	-	-	-	-	182,336	-
Accounts	-	-	-	-	2,062	-	-
Intergovernmental	69,298	155,407	-	-	-	-	-
Advances to other funds	-	-	100,625	-	-	-	-
Total assets	<u>69,298</u>	<u>720,373</u>	<u>127,836</u>	<u>8,193</u>	<u>609,672</u>	<u>182,336</u>	<u>5,076</u>
Liabilities and fund balances							
Liabilities:							
Accounts payable and accruals	-	-	9,779	6,377	22,873	-	-
Advances from other funds	40,579	-	-	-	-	1,956	-
Deferred revenue	-	-	-	-	-	180,380	-
Total liabilities	<u>40,579</u>	<u>-</u>	<u>9,779</u>	<u>6,377</u>	<u>22,873</u>	<u>182,336</u>	<u>-</u>
Fund balances:							
Reserved for advances to other funds	-	-	100,625	-	-	-	-
Reserved for housing assistance payments	-	-	-	-	518,349	-	-
Unreserved, undesignated	<u>28,719</u>	<u>720,373</u>	<u>17,432</u>	<u>1,816</u>	<u>68,450</u>	<u>-</u>	<u>5,076</u>
Total fund balances	<u>28,719</u>	<u>720,373</u>	<u>118,057</u>	<u>1,816</u>	<u>586,799</u>	<u>-</u>	<u>5,076</u>
Total liabilities and fund balances	<u>\$ 69,298</u>	<u>\$ 720,373</u>	<u>\$ 127,836</u>	<u>\$ 8,193</u>	<u>\$ 609,672</u>	<u>\$ 182,336</u>	<u>\$ 5,076</u>



<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Northeast Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Insurance</u>	<u>Total</u>
\$ 460,074	\$ 695,338	\$ 196,710	\$ 101,405	\$ 29,478	\$ 53,356	\$ 61,540	\$ 2,202,518
-	-	-	400,000	300,000	-	-	1,304,479
5,163	6,487	2,015	1,377	2,541	459	610	22,612
-	10,178	-	-	-	-	-	192,514
-	-	-	-	-	-	-	2,062
-	-	-	-	-	-	-	224,705
-	-	-	-	-	-	-	100,625
<u>465,237</u>	<u>712,003</u>	<u>198,725</u>	<u>502,782</u>	<u>332,019</u>	<u>53,815</u>	<u>62,150</u>	<u>4,049,515</u>
-	-	-	-	-	-	-	39,029
-	-	-	-	-	-	-	42,535
-	-	-	-	-	-	-	180,380
-	-	-	-	-	-	-	261,944
-	-	-	-	-	-	-	100,625
-	-	-	-	-	-	-	518,349
<u>465,237</u>	<u>712,003</u>	<u>198,725</u>	<u>502,782</u>	<u>332,019</u>	<u>53,815</u>	<u>62,150</u>	<u>3,168,597</u>
<u>465,237</u>	<u>712,003</u>	<u>198,725</u>	<u>502,782</u>	<u>332,019</u>	<u>53,815</u>	<u>62,150</u>	<u>3,787,571</u>
<u>\$ 465,237</u>	<u>\$ 712,003</u>	<u>\$ 198,725</u>	<u>\$ 502,782</u>	<u>\$ 332,019</u>	<u>\$ 53,815</u>	<u>\$ 62,150</u>	<u>\$ 4,049,515</u>

City of Muscatine, Iowa

Non-Major Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2007

	Community Development Block Grant	Road Use Tax	Equipment Replacement	Computer Replacement	Section 8 Housing Program	Emergency Tax	Police Forfeitures
Revenues:							
Taxes:							
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,598	\$ -
Utility	-	-	-	-	-	1,077	-
Intergovernmental:							
HUD grants	-	-	-	-	1,574,219	-	-
Road use tax	-	1,899,098	-	-	-	-	-
Federal grants	193,055	-	-	-	-	-	-
State grants	-	-	-	-	-	-	-
Interest	-	-	6,728	345	28,731	-	52
Other:							
Donations	-	-	-	-	-	-	-
Miscellaneous	5,000	12,782	2,211	-	17,590	-	23,213
Total revenues	198,055	1,911,880	8,939	345	1,620,540	180,675	23,265
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	6,163
Culture and recreation	-	-	-	-	-	-	-
Community and economic development	-	-	-	-	1,381,771	-	-
Capital outlay:							
Public safety	-	-	120,691	-	-	-	15,753
Culture and recreation	-	-	-	-	-	-	-
General government	-	-	21,051	35,110	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	-	-	141,742	35,110	1,381,771	-	21,916
Revenues over (under) expenditures	198,055	1,911,880	(132,803)	(34,765)	238,769	180,675	1,349
Other financing sources (uses):							
Transfers in	-	-	128,785	35,000	-	-	-
Transfers out	(193,055)	(2,069,888)	-	-	-	(180,675)	-
Total other financing sources (uses)	(193,055)	(2,069,888)	128,785	35,000	-	(180,675)	-
Net change in fund balances	5,000	(158,008)	(4,018)	235	238,769	-	1,349
Fund balances, June 30, 2006	23,719	878,381	122,075	1,581	348,030	-	3,727
Fund balances, June 30, 2007	\$ 28,719	\$ 720,373	\$ 118,057	\$ 1,816	\$ 586,799	\$ -	\$ 5,076

<u>Law Enforcement Block Grant</u>	<u>Downtown Tax Increment</u>	<u>Southend Tax Increment</u>	<u>Northeast Tax Increment</u>	<u>Art Center Special Funds</u>	<u>Library Special Funds</u>	<u>Parks Donations</u>	<u>Insurance</u>	<u>Total</u>
\$ -	\$ 438,977	\$ 565,446	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,184,021
-	-	-	-	-	-	-	-	1,077
-	-	-	-	-	-	-	-	1,574,219
-	-	-	-	-	-	-	-	1,899,098
-	-	-	-	-	-	-	-	193,055
-	-	-	-	-	18,964	-	-	18,964
-	22,806	27,552	10,437	23,447	16,629	2,241	3,262	142,230
-	-	-	-	2,217	38,781	4,000	-	44,998
-	-	-	-	2,196	2,073	-	23,747	88,812
-	461,783	592,998	10,437	27,860	76,447	6,241	27,009	5,146,474
-	-	-	-	-	-	-	-	6,163
-	-	-	-	4,655	40,407	-	-	45,062
-	95,869	89,610	60,855	-	-	-	-	1,628,105
4,201	-	-	-	-	-	-	-	140,645
-	-	-	-	23,689	8,431	-	-	32,120
-	-	-	-	-	-	-	-	56,161
-	190,000	90,000	-	-	-	-	-	280,000
-	63,510	83,630	-	-	-	-	-	147,140
4,201	349,379	263,240	60,855	28,344	48,838	-	-	2,335,396
(4,201)	112,404	329,758	(50,418)	(484)	27,609	6,241	27,009	2,811,078
-	-	-	-	-	400	-	-	164,185
-	-	(2,800)	-	-	-	-	(40,000)	(2,486,418)
-	-	(2,800)	-	-	400	-	(40,000)	(2,322,233)
(4,201)	112,404	326,958	(50,418)	(484)	28,009	6,241	(12,991)	488,845
4,201	352,833	385,045	249,143	503,266	304,010	47,574	75,141	3,298,726
\$ -	\$ 465,237	\$ 712,003	\$ 198,725	\$ 502,782	\$ 332,019	\$ 53,815	\$ 62,150	\$ 3,787,571

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Balance Sheet  
June 30, 2007**

	<b><u>Community Development Improvements</u></b>	<b><u>Street and Sidewalk Improvements</u></b>	<b><u>Other Street Improvements</u></b>	<b><u>Riverfront Improvement Projects</u></b>
Assets:				
Cash and pooled investments	\$ 5,485	\$ 29,111	\$ 40,875	\$ 259,389
Receivables:				
Interest	-	255	1,206	3,354
Intergovernmental	-	7,851	10,000	27,234
Advances to other funds	-	-	-	114,792
	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,792</u>
Total assets	<u>5,485</u>	<u>37,217</u>	<u>52,081</u>	<u>404,769</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	11,643	35,716	84,203	28,422
Retainages payable	906	1,599	-	-
Advances from other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>12,549</u>	<u>37,315</u>	<u>84,203</u>	<u>28,422</u>
Fund balances:				
Reserved for advances to other funds	-	-	-	114,792
Unreserved, undesignated	(7,064)	(98)	(32,122)	261,555
	<u>(7,064)</u>	<u>(98)</u>	<u>(32,122)</u>	<u>261,555</u>
Total fund balances	<u>(7,064)</u>	<u>(98)</u>	<u>(32,122)</u>	<u>376,347</u>
Total liabilities and fund balances	<u>\$ 5,485</u>	<u>\$ 37,217</u>	<u>\$ 52,081</u>	<u>\$ 404,769</u>

<b>Pearl of the Mississippi Project</b>	<b>Other Public Improvements</b>	<b>Total</b>
\$ -	\$ 45,988	\$ 380,848
-	525	5,340
-	-	45,085
-	-	114,792
-	46,513	546,065
-	11,270	171,254
48,117	-	50,622
783,557	114,792	898,349
831,674	126,062	1,120,225
-	-	114,792
(831,674)	(79,549)	(688,952)
(831,674)	(79,549)	(574,160)
\$ -	\$ 46,513	\$ 546,065

**City of Muscatine, Iowa**

**Non-Major Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2007**

	<u><b>Community Development Improvements</b></u>	<u><b>Street and Sidewalk Improvements</b></u>	<u><b>Other Street Improvements</b></u>	<u><b>Riverfront Improvement Projects</b></u>
Revenues:				
Intergovernmental:				
Federal grants	\$ -	\$ 60,000	\$ 735,335	\$ -
State grants	-	-	-	27,235
Interest	-	1,469	5,967	15,865
Special assessments	-	1,318	2,446	-
Other:				
Contributions	200	-	-	9,825
Reimbursement of costs	5,325	-	-	-
	<u>5,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>5,525</u>	<u>62,787</u>	<u>743,748</u>	<u>52,925</u>
Expenditures:				
Capital outlay:				
Public safety	-	-	-	-
Public works	-	479,756	1,125,267	-
Culture and recreation	-	-	-	36,654
Community and economic development	169,202	-	-	-
General government	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>169,202</u>	<u>479,756</u>	<u>1,125,267</u>	<u>36,654</u>
Revenues over (under) expenditures	<u>(163,677)</u>	<u>(416,969)</u>	<u>(381,519)</u>	<u>16,271</u>
Other financing sources (uses):				
Transfers in	160,495	406,818	-	45,168
Transfers out	-	(21,300)	(28,700)	-
	<u>-</u>	<u>(21,300)</u>	<u>(28,700)</u>	<u>-</u>
Total other financing sources (uses)	<u>160,495</u>	<u>385,518</u>	<u>(28,700)</u>	<u>45,168</u>
Net change in fund balances	(3,182)	(31,451)	(410,219)	61,439
Fund balances (deficits), June 30, 2006	<u>(3,882)</u>	<u>31,353</u>	<u>378,097</u>	<u>314,908</u>
Fund balances (deficits), June 30, 2007	<u>\$ (7,064)</u>	<u>\$ (98)</u>	<u>\$ (32,122)</u>	<u>\$ 376,347</u>

<u>Pearl of the Mississippi Project</u>	<u>Other Public Improvements</u>	<u>Total</u>
\$ -	\$ 117,119	\$ 912,454
-	-	27,235
-	2,857	26,158
-	-	3,764
574,831	53,049	637,905
-	-	5,325
<u>574,831</u>	<u>173,025</u>	<u>1,612,841</u>
-	215,013	215,013
-	-	1,605,023
740,745	119,838	897,237
-	-	169,202
-	10,524	10,524
<u>740,745</u>	<u>345,375</u>	<u>2,896,999</u>
<u>(165,914)</u>	<u>(172,350)</u>	<u>(1,284,158)</u>
308,959	-	921,440
-	-	(50,000)
<u>308,959</u>	<u>-</u>	<u>871,440</u>
143,045	(172,350)	(412,718)
<u>(974,719)</u>	<u>92,801</u>	<u>(161,442)</u>
<u>\$ (831,674)</u>	<u>\$ (79,549)</u>	<u>\$ (574,160)</u>

**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Balance Sheet  
June 30, 2007**

	<b>McWhirter- Gilmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
<b>Assets:</b>					
Cash and pooled investments	\$ 9,574	\$ 3,443	\$ -	\$ 3,795	\$ 16,812
Investments	100,000	805,000	-	80,000	985,000
Receivables:					
Interest	206	-	7,219	367	7,792
Accounts	-	500	-	-	500
Advances to other funds	-	-	-	7,219	7,219
<b>Total assets</b>	<b>109,780</b>	<b>808,943</b>	<b>7,219</b>	<b>91,381</b>	<b>1,017,323</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Advances from other funds	-	-	7,219	-	7,219
<b>Fund balances:</b>					
Reserved for advances to other funds	-	-	-	7,219	7,219
Reserved for perpetual care	-	808,943	-	-	808,943
Reserved for endowments	109,780	-	-	84,162	193,942
<b>Total fund balances</b>	<b>109,780</b>	<b>808,943</b>	<b>-</b>	<b>91,381</b>	<b>1,010,104</b>
<b>Total liabilities and fund balances</b>	<b>\$ 109,780</b>	<b>\$ 808,943</b>	<b>\$ 7,219</b>	<b>\$ 91,381</b>	<b>\$ 1,017,323</b>



**City of Muscatine, Iowa**

**Non-Major Permanent Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2007**

	<b>McWhirter- Gillmore Trust</b>	<b>Perpetual Care Trust</b>	<b>Perpetual Care Interest Trust</b>	<b>Cemetery Special Trusts</b>	<b>Total</b>
Revenues:					
Cemetery perpetual care	\$ -	\$ 8,735	\$ -	\$ -	\$ 8,735
Interest	<u>5,149</u>	<u>-</u>	<u>35,964</u>	<u>4,283</u>	<u>45,396</u>
Total revenues	5,149	8,735	35,964	4,283	54,131
Expenditures:					
Current:					
Culture and recreation	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>2,026</u>	<u>3,228</u>
Revenues over (under) expenditures	3,947	8,735	35,964	2,257	50,903
Other financing uses:					
Transfers out	<u>-</u>	<u>-</u>	<u>(35,964)</u>	<u>-</u>	<u>(35,964)</u>
Net change in fund balances	3,947	8,735	-	2,257	14,939
Fund balances, June 30, 2006	<u>105,833</u>	<u>800,208</u>	<u>-</u>	<u>89,124</u>	<u>995,165</u>
Fund balances, June 30, 2007	<u>\$ 109,780</u>	<u>\$ 808,943</u>	<u>\$ -</u>	<u>\$ 91,381</u>	<u>\$ 1,010,104</u>

## **NON-MAJOR ENTERPRISE FUNDS**

The Enterprise Funds are utilized to account for operations and activities that are financed and operated in a manner similar to a private business enterprise, and where the cost of providing goods and services to the general public on a continuing basis is expected to be recovered primarily through user charges. The City has also established Enterprise Funds when the determination has been made that it is advantageous to segregate revenues earned, expenses incurred and/or net income for purposes of capital maintenance, public policy, management control or accountability.

**REFUSE COLLECTION** - Accounts for the operations involved in the collection of refuse from residential dwellings and certain commercial businesses in the City.

**AIRPORT OPERATIONS** - Accounts for the activities of the Municipal Airport. This activity is supported by user charges and a subsidy from the General Fund.

**PARKING OPERATIONS** - Accounts for the operations of "on" and "off-street" parking meters and parking in designated lots. All activities necessary to provide for such services are accounted for in this fund including, but not limited to, meter enforcement, maintenance and administration.

**TRANSIT OPERATIONS** - Accounts for the operations of the municipal transit system. The system is funded from user fees, grants, and property taxes from a special levy.

**GOLF COURSE** - Accounts for the operation and maintenance of the Municipal Golf Course. This includes activities necessary to provide for the operation of the course as well as capital improvements.

**BOAT HARBOR** - Accounts for the operation and maintenance of the municipal boat harbor in addition to capital improvements to the harbor.

**MARINA OPERATIONS** - Accounts for the operation of the City's gas barge which provides fuel sales to boaters on the Mississippi River.

**AMBULANCE OPERATIONS** - Accounts for the Fire Department Ambulance Service which began providing service July 1, 2000.

**PUBLIC HOUSING** - Accounts for the operations of the City's public housing program which includes a 100-unit elderly housing facility, a 50-unit family facility and two scattered site housing units.

City of Muscatine, Iowa

Non-Major Enterprise Funds  
Combining Statement of Net Assets  
June 30, 2007

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ 43,649	\$ -	\$ 77,784	\$ 48,046	\$ 173,415
Investments	-	-	-	-	-
Receivables (net of allowance for uncollectibles):					
Interest	1,179	-	570	667	879
Accounts	172,484	1,055	3,048	9,876	37,478
Intergovernmental:					
Federal	-	118,212	-	-	-
State	-	-	-	9,163	-
County	-	-	-	-	-
Advances to other funds	-	-	4,946	-	-
Inventories	-	-	-	-	11,059
Prepaid items	-	-	-	-	3,200
Total current assets	217,312	119,267	86,348	67,752	226,031
Noncurrent assets:					
Deferred charges	1,842	-	-	-	-
Capital assets:					
Land	-	1,408,973	579,686	-	80,000
Land improvements	-	7,631,261	464,008	-	1,102,678
Buildings and building improvements	1,312,083	1,606,025	-	14,231	603,203
Equipment	160,319	20,694	32,370	6,054	244,610
Vehicles	447,021	37,671	-	598,744	14,784
Construction in progress	-	98,147	-	-	-
Less accumulated depreciation	(766,018)	(5,993,888)	(349,078)	(154,458)	(1,015,683)
Total capital assets net of accumulated depreciation	1,153,405	4,808,883	726,986	464,571	1,029,592
Total noncurrent assets	1,155,247	4,808,883	726,986	464,571	1,029,592
Total assets	1,372,559	4,928,150	813,334	532,323	1,255,623
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	11,683	86,410	1,529	8,524	174,241
Compensated absences payable	12,500	-	11,150	11,944	7,468
Advances from other funds	-	64,530	-	-	-
Deposits	-	-	-	-	-
Accrued interest payable	2,420	-	-	-	-
Unearned revenue	379	2,489	29,825	812	5,462
General obligation bonds	70,925	-	-	-	-
Total current liabilities	97,907	153,429	42,504	21,280	187,171
Noncurrent liabilities:					
General obligation bonds	512,030	-	-	-	-
Compensated absences	10,746	-	5,050	7,590	1,614
Total noncurrent liabilities	522,776	-	5,050	7,590	1,614
Total liabilities	620,683	153,429	47,554	28,870	188,785
<b>Net assets:</b>					
Invested in capital assets, net of related debt	570,450	4,808,883	726,986	464,571	1,029,592
Unrestricted	181,426	(34,162)	38,794	38,882	37,246
Total net assets	\$ 751,876	\$ 4,774,721	\$ 765,780	\$ 503,453	\$ 1,066,838

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,028	\$ 344,922
-	-	-	543,157	543,157
-	-	-	5,076	8,371
800	1,262	170,124	6,234	402,361
-	-	-	6,331	124,543
-	-	-	-	9,163
-	-	17,235	-	17,235
-	-	-	-	4,946
-	7,658	-	-	18,717
-	-	2,184	-	5,384
800	8,920	189,543	562,826	1,478,799
-	-	-	-	1,842
-	-	-	105,000	2,173,659
196,161	-	-	97,144	9,491,252
-	-	-	7,587,684	11,123,226
-	-	16,269	80,448	560,764
-	-	369,974	58,154	1,526,348
-	-	-	-	98,147
(129,594)	-	(312,966)	(4,754,000)	(13,475,685)
66,567	-	73,277	3,174,430	11,497,711
66,567	-	73,277	3,174,430	11,499,553
67,367	8,920	262,820	3,737,256	12,978,352
2,150	4,006	10,538	81,311	380,392
-	-	13,147	10,335	66,544
32	4,914	153,463	-	222,939
-	-	-	35,736	35,736
-	-	-	-	2,420
-	-	6,450	6,879	52,296
-	-	-	-	70,925
2,182	8,920	183,598	134,261	831,252
-	-	-	-	512,030
-	-	7,706	13,742	46,448
-	-	7,706	13,742	558,478
2,182	8,920	191,304	148,003	1,389,730
66,567	-	73,277	3,174,430	10,914,756
(1,382)	-	(1,761)	414,823	673,866
\$ 65,185	\$ -	\$ 71,516	\$ 3,589,253	\$ 11,588,622

City of Muscatine, Iowa

Non-Major Enterprise Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007

	Refuse Collection	Airport Operations	Parking Operations	Transit Operations	Golf Course
Operating revenues:					
Charges for sales and services:					
Charges for services	\$ 1,361,133	\$ -	\$ -	\$ -	\$ -
Parking fees	-	-	175,548	-	-
Transit fees	-	-	-	117,329	-
Golf course fees	-	-	-	-	449,556
Boat harbor fees	-	-	-	-	-
Management fees	-	8,700	-	-	-
Rents	-	26,329	-	-	-
Other	3,676	12,322	2,580	12,100	82,548
Total operating revenues	1,364,809	47,351	178,128	129,429	532,104
Operating expenses:					
Cost of sales and services:					
Personal services	485,185	-	147,987	510,463	184,270
Commodities	69,952	7,269	6,407	95,468	140,496
Contractual services	701,176	93,484	7,057	88,985	101,431
Administration	50,900	6,800	14,900	11,700	38,800
Depreciation	80,343	437,706	34,054	75,147	72,805
Total operating expenses	1,387,556	545,259	210,405	781,763	537,802
Operating income (loss)	(22,747)	(497,908)	(32,277)	(652,334)	(5,698)
Non-operating revenues (expenses):					
Federal, state and local grants	-	-	-	376,622	-
Interest revenue	5,414	-	3,070	2,815	4,144
Interest expense	(36,103)	-	-	-	-
Bond issuance costs	(263)	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	4,348	(49,106)
Non-operating revenues (expenses), net	(30,952)	-	3,070	383,785	(44,962)
Income (loss) before capital contributions and transfers	(53,699)	(497,908)	(29,207)	(268,549)	(50,660)
Capital contributions - grants	-	297,936	-	-	-
Transfers in	-	60,202	-	145,601	-
Change in net assets	(53,699)	(139,770)	(29,207)	(122,948)	(50,660)
Net assets, June 30, 2006	805,575	4,914,491	794,987	626,401	1,117,498
Net assets, June 30, 2007	\$ 751,876	\$ 4,774,721	\$ 765,780	\$ 503,453	\$ 1,066,838

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ -	\$ -	\$ 786,132	\$ -	\$ 2,147,265
-	-	-	-	175,548
-	-	-	-	117,329
-	-	-	-	449,556
26,022	-	-	-	26,022
-	-	-	-	8,700
-	-	-	371,268	397,597
-	22,494	31,400	11,288	178,408
<u>26,022</u>	<u>22,494</u>	<u>817,532</u>	<u>382,556</u>	<u>3,500,425</u>
14,396	-	581,404	342,745	2,266,450
5,415	18,041	46,275	58,371	447,694
3,607	6,162	104,074	241,916	1,347,892
4,100	-	126,000	-	253,200
9,807	-	54,650	268,266	1,032,778
<u>37,325</u>	<u>24,203</u>	<u>912,403</u>	<u>911,298</u>	<u>5,348,014</u>
<u>(11,303)</u>	<u>(1,709)</u>	<u>(94,871)</u>	<u>(528,742)</u>	<u>(1,847,589)</u>
-	-	-	260,067	636,689
-	-	-	26,261	41,704
-	-	-	-	(36,103)
-	-	-	-	(263)
-	-	-	-	(44,758)
<u>-</u>	<u>-</u>	<u>-</u>	<u>286,328</u>	<u>597,269</u>
(11,303)	(1,709)	(94,871)	(242,414)	(1,250,320)
-	-	-	26,603	324,539
-	1,709	-	-	207,512
(11,303)	-	(94,871)	(215,811)	(718,269)
76,488	-	166,387	3,805,064	12,306,891
<u>\$ 65,185</u>	<u>\$ -</u>	<u>\$ 71,516</u>	<u>\$ 3,589,253</u>	<u>\$ 11,588,622</u>

**City of Muscatine, Iowa**  
**Non-Major Enterprise Funds**  
**Combining Statement of Cash Flows**  
**Year Ended June 30, 2007**

	<b>Refuse Collection</b>	<b>Airport Operations</b>	<b>Parking Operations</b>	<b>Transit Operations</b>	<b>Golf Course</b>
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 1,355,819	\$ 46,770	\$ 182,048	\$ 126,860	\$ 521,885
Payments to suppliers	(654,198)	(109,559)	(13,093)	(49,197)	(92,259)
Payments to employees	(337,924)	-	(115,544)	(429,157)	(146,961)
Payments for employee benefits	(162,124)	-	(30,823)	(79,978)	(38,481)
Payments for interfund services used	(195,805)	(8,513)	(14,900)	(142,527)	(39,460)
Net cash provided (used) by operating activities	<u>5,768</u>	<u>(71,302)</u>	<u>7,688</u>	<u>(573,999)</u>	<u>204,724</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers from other funds	-	60,202	-	145,601	-
Advances from other funds	-	-	-	-	-
Advances to other funds	-	-	(4,947)	-	-
Repayment of advances from other funds	-	(172,300)	-	-	-
Repayment of advances to other funds	-	-	65,545	-	-
Subsidies from federal, state and local grants	-	-	-	376,357	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(112,098)</u>	<u>60,598</u>	<u>521,958</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>					
Capital contributions	-	418,659	-	305,751	-
Purchase of capital assets	(9,376)	(235,259)	-	(383,526)	(133,805)
Principal paid on capital debt	(71,421)	-	-	-	-
Interest paid on capital debt	(32,248)	-	-	-	-
Insurance recoveries for loss of capital assets	-	-	-	-	50,000
Proceeds from sales of capital assets	-	-	-	17,000	-
Net cash provided (used) by capital and related financing activities	<u>(113,045)</u>	<u>183,400</u>	<u>-</u>	<u>(60,775)</u>	<u>(83,805)</u>
<b>Cash flows from investing activities</b>					
Proceeds from sales and maturities of investments	-	-	-	-	-
Purchase of investments	-	-	-	-	-
Interest received	5,703	-	2,857	3,356	3,328
Net cash provided (used) by investing activities	<u>5,703</u>	<u>-</u>	<u>2,857</u>	<u>3,356</u>	<u>3,328</u>
Net increase (decrease) in cash and pooled investments	(101,574)	-	71,143	(109,460)	124,247
Cash and pooled investments, June 30, 2006	<u>145,223</u>	<u>-</u>	<u>6,641</u>	<u>157,506</u>	<u>49,168</u>
Cash and pooled investments, June 30, 2007	<u>\$ 43,649</u>	<u>\$ -</u>	<u>\$ 77,784</u>	<u>\$ 48,046</u>	<u>\$ 173,415</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	\$ (22,747)	\$ (497,908)	\$ (32,277)	\$ (652,334)	\$ (5,698)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	80,343	437,706	34,054	75,147	72,805
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(8,955)	(219)	(419)	(2,989)	(14,545)
Intergovernmental receivable	-	-	-	-	-
Inventories	-	-	-	-	(11,059)
Prepaid items	-	-	-	-	(3,200)
Increase (decrease) in:					
Accounts payable and accruals	(27,925)	(10,519)	370	4,429	163,267
Compensated absences payable	(14,914)	-	1,620	1,328	(1,172)
Deferred revenue	(34)	(362)	4,340	420	4,326
Deposits	-	-	-	-	-
Total adjustments	<u>28,515</u>	<u>426,606</u>	<u>39,965</u>	<u>78,335</u>	<u>210,422</u>
Net cash provided (used) by operating activities	<u>\$ 5,768</u>	<u>\$ (71,302)</u>	<u>\$ 7,688</u>	<u>\$ (573,999)</u>	<u>\$ 204,724</u>

<u>Boat Harbor</u>	<u>Marina Operations</u>	<u>Ambulance Operations</u>	<u>Public Housing</u>	<u>Total</u>
\$ 25,222	\$ 24,188	\$ 769,075	\$ 382,527	\$ 3,434,394
(8,809)	(25,999)	(137,905)	(302,559)	(1,393,578)
(9,556)	-	(427,076)	(236,312)	(1,702,530)
(6,400)	-	(149,780)	(92,216)	(559,802)
(4,100)	-	(143,723)	(50,543)	(599,571)
<u>(3,643)</u>	<u>(1,811)</u>	<u>(89,409)</u>	<u>(299,103)</u>	<u>(821,087)</u>
-	1,709	-	-	207,512
32	102	153,462	-	153,596
-	-	-	-	(4,947)
-	-	(60,733)	-	(233,033)
-	-	-	-	65,545
-	-	6,450	288,783	671,590
<u>32</u>	<u>1,811</u>	<u>99,179</u>	<u>288,783</u>	<u>860,263</u>
-	-	-	26,603	751,013
-	-	(9,770)	(156,363)	(928,099)
-	-	-	-	(71,421)
-	-	-	-	(32,248)
-	-	-	-	50,000
-	-	-	-	17,000
-	-	(9,770)	(129,760)	(213,755)
-	-	-	1,286,480	1,286,480
-	-	-	(1,175,421)	(1,175,421)
-	-	-	27,193	42,437
-	-	-	138,252	153,496
(3,611)	-	-	(1,828)	(21,083)
<u>3,611</u>	<u>-</u>	<u>-</u>	<u>3,856</u>	<u>366,005</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,028</u>	<u>\$ 344,922</u>
<u>\$ (11,303)</u>	<u>\$ (1,709)</u>	<u>\$ (94,871)</u>	<u>\$ (528,742)</u>	<u>\$ (1,847,589)</u>
9,807	-	54,650	268,266	1,032,778
(800)	1,694	(46,922)	(895)	(74,050)
-	-	(1,535)	-	(1,535)
-	(176)	-	-	(11,235)
-	-	(2,184)	-	(5,384)
213	(1,620)	(3,094)	(35,994)	89,127
(1,560)	-	4,547	(2,604)	(12,755)
-	-	-	(1,944)	6,746
-	-	-	2,810	2,810
<u>7,660</u>	<u>(102)</u>	<u>5,462</u>	<u>229,639</u>	<u>1,026,502</u>
<u>\$ (3,643)</u>	<u>\$ (1,811)</u>	<u>\$ (89,409)</u>	<u>\$ (299,103)</u>	<u>\$ (821,087)</u>



## **INTERNAL SERVICE FUNDS**

Internal Service Funds are established to finance and account for services and commodities furnished by one department or agency of the City to other departments or agencies of the City. Internal Service Funds are as follows:

**EQUIPMENT SERVICES FUND** - Accounts for the operations and maintenance of the central garage. All costs incurred for the maintenance of City vehicles and operation of the facility are charged to departments on a cost reimbursement basis.

**CENTRAL SUPPLIES FUND** - Accounts for the central inventory of office supplies which are provided to City departments on a cost reimbursement basis.

**HEALTH INSURANCE FUND** - Accounts for the costs related to the City's self-insurance plan which provides health insurance benefits to employees.

**DENTAL INSURANCE FUND** – Accounts for the costs related to the City's self-insurance plan which provides dental insurance benefits to employees.

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Net Assets  
June 30, 2007**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
<b>Assets:</b>					
Current assets:					
Cash and pooled investments	\$ -	\$ -	\$ 468,244	\$ 18,765	\$ 487,009
Receivables:					
Interest	-	-	8,348	181	8,529
Accounts	10,399	-	39,003	-	49,402
Advances to other funds	-	-	11,063	-	11,063
Inventories	126,190	1,300	-	-	127,490
Total current assets	<u>136,589</u>	<u>1,300</u>	<u>526,658</u>	<u>18,946</u>	<u>683,493</u>
Capital assets:					
Equipment	122,889	-	-	-	122,889
Vehicles	48,140	-	-	-	48,140
Less accumulated depreciation	(160,112)	-	-	-	(160,112)
Total capital assets net of accumulated depreciation	<u>10,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,917</u>
Total assets	<u>147,506</u>	<u>1,300</u>	<u>526,658</u>	<u>18,946</u>	<u>694,410</u>
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable and accruals	34,505	-	134,662	8,440	177,607
Compensated absences payable	13,082	-	-	-	13,082
Advances from other funds	10,383	680	-	-	11,063
Total current liabilities	<u>57,970</u>	<u>680</u>	<u>134,662</u>	<u>8,440</u>	<u>201,752</u>
Noncurrent liabilities:					
Compensated absences payable	20,004	-	-	-	20,004
Total liabilities	<u>77,974</u>	<u>680</u>	<u>134,662</u>	<u>8,440</u>	<u>221,756</u>
<b>Net assets:</b>					
Net assets invested in capital assets	10,917	-	-	-	10,917
Unrestricted	58,615	620	391,996	10,506	461,737
Total net assets	<u>\$ 69,532</u>	<u>\$ 620</u>	<u>\$ 391,996</u>	<u>\$ 10,506</u>	<u>\$ 472,654</u>

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2007**

	<u>Equipment Services</u>	<u>Central Supplies</u>	<u>Health Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Operating revenues:					
Charges for sales and services:					
Services	\$ 542,620	\$ -	\$ -	\$ -	\$ 542,620
Fuel	371,279	-	-	-	371,279
Supply charges	-	2,243	-	-	2,243
Employer contributions	-	-	1,898,180	52,319	1,950,499
Employee contributions	-	-	69,644	46,893	116,537
Other contributions	-	-	147,611	4,167	151,778
Other operating revenue	1,620	-	-	-	1,620
Total operating revenues	<u>915,519</u>	<u>2,243</u>	<u>2,115,435</u>	<u>103,379</u>	<u>3,136,576</u>
Operating expenses:					
Cost of sales and services:					
Personal services	241,951	-	-	-	241,951
Commodities	530,548	2,444	-	-	532,992
Contractual services	165,918	-	2,120,701	95,142	2,381,761
Administration	12,700	-	3,000	-	15,700
Depreciation	1,978	-	-	-	1,978
Total operating expenses	<u>953,095</u>	<u>2,444</u>	<u>2,123,701</u>	<u>95,142</u>	<u>3,174,382</u>
Operating income (loss)	(37,576)	(201)	(8,266)	8,237	(37,806)
Non-operating revenues:					
Interest revenue	-	-	38,058	816	38,874
Income (loss) before transfers	(37,576)	(201)	29,792	9,053	1,068
Transfers out	-	-	(45,395)	-	(45,395)
Change in net assets	(37,576)	(201)	(15,603)	9,053	(44,327)
Net assets, June 30, 2006	<u>107,108</u>	<u>821</u>	<u>407,599</u>	<u>1,453</u>	<u>516,981</u>
Net assets, June 30, 2007	<u>\$ 69,532</u>	<u>\$ 620</u>	<u>\$ 391,996</u>	<u>\$ 10,506</u>	<u>\$ 472,654</u>

**City of Muscatine, Iowa**

**Internal Service Funds  
Combining Statement of Cash Flows  
Year Ended June 30, 2007**

	<b>Equipment Services</b>	<b>Central Supplies</b>	<b>Health Insurance</b>	<b>Dental Insurance</b>	<b>Total</b>
<b>Cash flows from operating activities</b>					
Receipts from interfund services provided	\$ 907,202	\$ 2,243	\$ 2,076,557	\$ 103,379	\$ 3,089,381
Payments to suppliers	(735,010)	(2,032)	(2,231,769)	(95,273)	(3,064,084)
Payments to employees	(168,793)	-	-	-	(168,793)
Payments for employee benefits	(67,707)	-	-	-	(67,707)
Payments for interfund services used	(12,700)	-	(3,000)	-	(15,700)
Net cash provided (used) by operating activities	<u>(77,008)</u>	<u>211</u>	<u>(158,212)</u>	<u>8,106</u>	<u>(226,903)</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	-	-	(45,395)	-	(45,395)
Advances from other funds	10,383	-	-	-	10,383
Advances to other funds	-	-	(10,383)	-	(10,383)
Repayment of advances from other funds	-	(211)	-	-	(211)
Repayment of advances to other funds	-	-	211	-	211
Net cash provided (used) by noncapital financing activities	<u>10,383</u>	<u>(211)</u>	<u>(55,567)</u>	<u>-</u>	<u>(45,395)</u>
<b>Cash flows from investing activities</b>					
Interest received	-	-	33,811	726	34,537
Net increase in cash and pooled investments	(66,625)	-	(179,968)	8,832	(237,761)
Cash and pooled investments, June 30, 2006	66,625	-	648,212	9,933	724,770
Cash and pooled investments, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 468,244</u>	<u>\$ 18,765</u>	<u>\$ 487,009</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Cash flows from operating activities:					
Operating income (loss)	<u>\$ (37,576)</u>	<u>\$ (201)</u>	<u>\$ (8,266)</u>	<u>\$ 8,237</u>	<u>\$ (37,806)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,978	-	-	-	1,978
Changes in assets and liabilities:					
(Increase) decrease in:					
Accounts receivable	(8,317)	-	(38,878)	-	(47,195)
Inventories	3,340	412	-	-	3,752
Increase (decrease) in:					
Accounts payable and accruals	(41,884)	-	(111,068)	(131)	(153,083)
Compensated absences payable	5,451	-	-	-	5,451
Total adjustments	<u>(39,432)</u>	<u>412</u>	<u>(149,946)</u>	<u>(131)</u>	<u>(189,097)</u>
Net cash provided (used) by operating activities	<u>\$ (77,008)</u>	<u>\$ 211</u>	<u>\$ (158,212)</u>	<u>\$ 8,106</u>	<u>\$ (226,903)</u>

## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

Agency Funds are those used to account for assets held by a government as an agent for individuals, private organizations, or other governments or funds.

**PAYROLL CLEARING FUND** - Accounts for the collection and payment of employee payroll withholdings and City contributions for payroll taxes.

**MISCELLANEOUS CLEARING FUND** - Accounts for general City expenditures to be allocated to other funds and miscellaneous funds received by the City as an agent for individuals, organizations or other funds.

**HOUSING REVOLVING FUND** - Accounts for general City expenditures allocated to the City's Housing Programs, which are reimbursed by the Housing Programs.

**VEHICLE IMPOUNDMENT FUND** - Accounts for net proceeds from the sale of abandoned vehicles required to be remitted to the State of Iowa.

**City of Muscatine, Iowa**

**Combining Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2007**

	<u>Payroll Clearing</u>	<u>Miscellaneous Clearing</u>	<u>Housing Revolving</u>	<u>Vehicle Impound</u>	<u>Totals</u>
<b>Assets:</b>					
Cash and pooled investments	\$ 388,212	\$ 168	\$ -	\$ -	\$ 388,380
Accounts receivable	-	401	52,034	907	53,342
Advances to other funds	<u>52,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,782</u>
Total assets	<u>440,994</u>	<u>569</u>	<u>52,034</u>	<u>907</u>	<u>494,504</u>
<b>Liabilities:</b>					
Accounts payable and accruals	440,994	569	159	-	441,722
Advances from other funds	<u>-</u>	<u>-</u>	<u>51,875</u>	<u>907</u>	<u>52,782</u>
Total liabilities	<u>\$ 440,994</u>	<u>\$ 569</u>	<u>\$ 52,034</u>	<u>\$ 907</u>	<u>\$ 494,504</u>

**City of Muscatine, Iowa**  
**Combining Statement of Changes in Assets and Liabilities**  
**All Agency Funds**  
**Year Ended June 30, 2007**

	<u>Balance June 30, 2006</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2007</u>
<b><u>Payroll Clearing Fund</u></b>				
Assets:				
Cash and pooled investments	\$ 358,570	\$ 12,473,999	\$ 12,444,357	\$ 388,212
Advances to other funds	51,434	1,348	-	52,782
Total assets	<u>\$ 410,004</u>	<u>\$ 12,475,347</u>	<u>\$ 12,444,357</u>	<u>\$ 440,994</u>
Liabilities:				
Accounts payable and accruals	<u>\$ 410,004</u>	<u>\$ 3,789,801</u>	<u>\$ 3,758,811</u>	<u>\$ 440,994</u>
<b><u>Miscellaneous Clearing Fund</u></b>				
Assets:				
Cash and pooled investments	\$ -	\$ 168	\$ -	\$ 168
Accounts receivable	400	1	-	401
Total assets	<u>\$ 400</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 569</u>
Liabilities:				
Accounts payable and accruals	\$ 399	\$ 170	\$ -	\$ 569
Advances from other funds	1	-	1	-
Total liabilities	<u>\$ 400</u>	<u>\$ 170</u>	<u>\$ 1</u>	<u>\$ 569</u>
<b><u>Housing Revolving Fund</u></b>				
Assets:				
Accounts receivable	<u>\$ 51,657</u>	<u>\$ 377</u>	<u>\$ -</u>	<u>\$ 52,034</u>
Liabilities:				
Accounts payable and accruals	\$ 224	\$ -	\$ 65	\$ 159
Advances from other funds	51,433	442	-	51,875
Total liabilities	<u>\$ 51,657</u>	<u>\$ 442</u>	<u>\$ 65</u>	<u>\$ 52,034</u>
<b><u>Vehicle Impoundment Fund</u></b>				
Assets:				
Cash and pooled investments	\$ -	\$ 25,941	\$ 25,941	\$ -
Accounts receivable	-	907	-	907
Total assets	<u>\$ -</u>	<u>\$ 26,848</u>	<u>\$ 25,941</u>	<u>\$ 907</u>
Liabilities:				
Accounts payable and accruals	\$ -	\$ 68,560	\$ 68,560	\$ -
Advances from other funds	-	907	-	907
Total liabilities	<u>\$ -</u>	<u>\$ 69,467</u>	<u>\$ 68,560</u>	<u>\$ 907</u>
<b><u>Total</u></b>				
Assets:				
Cash and pooled investments	\$ 358,570	\$ 12,500,108	\$ 12,470,298	\$ 388,380
Accounts receivable	52,057	1,285	-	53,342
Advances to other funds	51,434	1,348	-	52,782
Total assets	<u>\$ 462,061</u>	<u>\$ 12,502,741</u>	<u>\$ 12,470,298</u>	<u>\$ 494,504</u>
Liabilities:				
Accounts payable and accruals	\$ 410,627	\$ 3,858,531	\$ 3,827,436	\$ 441,722
Advances from other funds	51,434	1,349	1	52,782
Total liabilities	<u>\$ 462,061</u>	<u>\$ 3,859,880</u>	<u>\$ 3,827,437</u>	<u>\$ 494,504</u>

# STATISTICAL SECTION

This part of the City of Muscatine's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends (Schedules 1 – 5)	88-93
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity (Schedules 6 – 9)	94-97
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity (Schedules 10 – 13)	98-101
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information (Schedules 14 – 15)	102-103
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information (Schedules 16 – 18)	104-106
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	



**City of Muscatine, Iowa  
Net Assets by Component  
Last Five Fiscal Years  
(Accrual Basis of Accounting)  
(Unaudited)**

	Fiscal Year				
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 46,209,004	\$ 48,955,154	\$ 51,221,230	\$ 50,011,138	\$ 51,581,004
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450
Unrestricted	5,974,714	7,329,316	5,250,409	5,466,892	6,823,222
Total governmental activities net assets	<u>\$ 56,446,702</u>	<u>\$ 59,328,606</u>	<u>\$ 59,420,637</u>	<u>\$ 58,898,427</u>	<u>\$ 61,709,676</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 47,317,599	\$ 47,010,683	\$ 47,550,543	\$ 51,101,160	\$ 52,481,362
Unrestricted	6,395,421	6,547,924	6,529,619	6,582,593	6,023,561
Total business-type activities net assets	<u>\$ 53,713,020</u>	<u>\$ 53,558,607</u>	<u>\$ 54,080,162</u>	<u>\$ 57,683,753</u>	<u>\$ 58,504,923</u>
Primary government					
Invested in capital assets, net of related debt	\$ 93,526,603	\$ 95,965,837	\$ 98,771,773	\$ 101,112,298	\$ 104,062,366
Restricted	4,262,984	3,044,136	2,948,998	3,420,397	3,305,450
Unrestricted	12,370,135	13,877,240	11,780,028	12,049,485	12,846,783
Total primary government net assets	<u>\$ 110,159,722</u>	<u>\$ 112,887,213</u>	<u>\$ 113,500,799</u>	<u>\$ 116,582,180</u>	<u>\$ 120,214,599</u>

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.

**City of Muscatine, Iowa**  
**Changes in Net Assets**  
**Last Five Fiscal Years**  
**(Accrual Basis of Accounting)**  
**(Unaudited)**

	<b>Fiscal Year</b>				
	<b>2002/2003</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>	<b>2006/2007</b>
<b>Expenses</b>					
Governmental activities:					
Public safety	\$ 5,309,173	\$ 5,561,580	\$ 6,081,788	\$ 6,164,169	\$ 6,476,982
Public works	3,409,044	2,970,927	3,220,525	3,802,168	3,299,503
Health and social services	18,400	16,560	15,700	16,660	26,700
Culture and recreation	3,146,370	2,957,891	3,466,568	3,967,702	3,774,353
Community and economic development	2,659,516	3,849,722	3,217,531	2,234,880	2,446,232
General government	1,639,035	1,659,438	1,725,955	1,844,803	1,866,359
Interest and fees on long-term debt	424,222	397,429	422,410	379,549	432,626
Total governmental activities expense	<u>16,605,760</u>	<u>17,413,547</u>	<u>18,150,477</u>	<u>18,409,931</u>	<u>18,322,755</u>
Business-type activities:					
Water pollution control	3,900,792	4,094,791	4,134,898	4,329,934	4,581,077
Refuse collection	1,177,342	1,221,882	1,243,306	1,283,743	1,423,922
Transfer station	2,090,482	2,002,761	2,181,508	2,130,005	2,363,530
Airport	550,558	621,520	551,070	579,586	545,259
Parking	191,746	204,879	205,301	220,508	210,405
Transit	636,108	618,308	678,757	763,123	781,763
Golf course	449,905	451,551	468,149	439,438	586,908
Boat harbor	42,253	41,486	33,273	33,630	37,325
Marina	15,662	8,430	8,004	27,176	24,203
Cable Television	37,340	31,137	-	-	-
Ambulance	660,808	749,644	914,100	908,058	912,403
Public housing	792,855	831,545	935,354	882,502	911,298
Total business-type activities expense	<u>10,545,851</u>	<u>10,877,934</u>	<u>11,353,720</u>	<u>11,597,703</u>	<u>12,378,093</u>
Total primary government expense	<u>\$ 27,151,611</u>	<u>\$ 28,291,481</u>	<u>\$ 29,504,197</u>	<u>\$ 30,007,634</u>	<u>\$ 30,700,848</u>
<b>Program Revenues</b>					
Governmental activities:					
Charges for services:					
Public safety	\$ 293,522	\$ 310,762	\$ 356,703	\$ 306,954	\$ 383,518
Public works	157,213	143,089	179,104	141,803	140,649
Culture and recreation	421,507	537,726	599,761	577,257	616,982
Community and economic development	244,164	349,250	372,703	407,977	398,479
General government	324,125	307,054	324,733	432,880	382,812
Operating grants and contributions	3,940,767	4,271,667	4,617,475	4,805,002	4,263,038
Capital grants and contributions	644,403	2,544,051	894,158	1,733,592	2,018,077
Total governmental activities program revenues	<u>6,025,701</u>	<u>8,463,599</u>	<u>7,344,637</u>	<u>8,405,465</u>	<u>8,203,555</u>
Business-type activities:					
Charges for services:					
Water pollution control	2,948,850	3,537,974	3,612,206	3,745,884	3,854,728
Refuse collection	1,254,825	1,257,199	1,261,040	1,312,208	1,364,809
Transfer station	1,944,351	1,750,444	1,898,293	1,767,744	1,893,083
Airport	43,446	43,639	46,086	43,564	47,351
Parking	183,525	171,614	161,344	188,146	178,128
Transit	76,497	86,731	90,457	106,144	129,429
Golf course	408,070	412,069	402,214	402,832	532,104
Boat harbor	32,389	19,552	18,745	21,782	26,022
Marina	14,069	7,129	5,200	26,616	22,494
Cable Television	194,049	236,479	-	-	-
Ambulance	742,151	792,432	850,406	735,295	817,532
Public housing	389,880	373,202	362,487	367,010	382,556
Operating grants and contributions	600,280	594,674	551,160	619,692	674,031
Capital grants and contributions	143,759	364,601	296,941	642,818	324,539
Total business-type activities program revenues	<u>8,976,141</u>	<u>9,647,739</u>	<u>9,556,579</u>	<u>9,979,735</u>	<u>10,246,806</u>
Total primary government program revenues	<u>\$ 15,001,842</u>	<u>\$ 18,111,338</u>	<u>\$ 16,901,216</u>	<u>\$ 18,385,200</u>	<u>\$ 18,450,361</u>

	Fical Year				
	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (10,580,059)	\$ (8,949,948)	\$ (10,805,840)	\$ (10,004,466)	\$ (10,119,200)
Business-type activities	<u>(1,569,710)</u>	<u>(1,230,195)</u>	<u>(1,797,141)</u>	<u>(1,617,968)</u>	<u>(2,131,287)</u>
Total primary government net expense	<u>\$ (12,149,769)</u>	<u>\$ (10,180,143)</u>	<u>\$ (12,602,981)</u>	<u>\$ (11,622,434)</u>	<u>\$ (12,250,487)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 9,726,834	\$ 9,983,521	\$ 10,242,610	\$ 10,916,665	\$ 11,763,138
Utility taxes	79,468	67,339	63,638	59,209	63,986
Local option sales tax	2,103,843	2,210,111	1,938,370	2,290,018	2,589,592
Hotel/motel taxes	274,654	310,798	327,575	306,075	338,818
Cable franchise taxes	-	-	238,788	245,132	242,164
Intergovernmental, unrestricted	445,079	101,874	64,870	61,834	99,002
Unrestricted investment income	113,151	111,595	203,275	337,227	455,562
Gain on sale of capital assets	22,231	4,187	-	248,667	-
Payment in lieu of taxes	27,231	28,100	-	-	-
Contributions to endowments	6,660	8,100	4,500	8,820	8,735
Transfers	<u>(225,183)</u>	<u>(993,773)</u>	<u>(2,185,755)</u>	<u>(4,991,391)</u>	<u>(2,630,548)</u>
Total governmental activities	<u>12,573,968</u>	<u>11,831,852</u>	<u>10,897,871</u>	<u>9,482,256</u>	<u>12,930,449</u>
Business-type activities:					
Unrestricted investment income	103,668	78,901	130,688	230,168	317,561
Gain on sale of capital assets	-	3,108	2,253	-	4,348
Transfers	<u>225,183</u>	<u>993,773</u>	<u>2,185,755</u>	<u>4,991,391</u>	<u>2,630,548</u>
Total business-type activities	<u>328,851</u>	<u>1,075,782</u>	<u>2,318,696</u>	<u>5,221,559</u>	<u>2,952,457</u>
Total primary government	<u>\$ 12,902,819</u>	<u>\$ 12,907,634</u>	<u>\$ 13,216,567</u>	<u>\$ 14,703,815</u>	<u>\$ 15,882,906</u>
<b>Changes in Net Assets</b>					
Governmental activities	\$ 1,993,909	\$ 2,881,904	\$ 92,031	\$ (522,210)	\$ 2,811,249
Business-type activities	<u>(1,240,859)</u>	<u>(154,413)</u>	<u>521,555</u>	<u>3,603,591</u>	<u>821,170</u>
Total primary government	<u>\$ 753,050</u>	<u>\$ 2,727,491</u>	<u>\$ 613,586</u>	<u>\$ 3,081,381</u>	<u>\$ 3,632,419</u>

Note - The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002/2003.

City of Muscatine, Iowa  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(Unaudited)

	Fiscal Year									
	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03 (1)	2003/04	2004/05	2005/06	2006/07
General Fund										
Reserved	\$ 39,903	\$ 23,165	\$ 37,728	\$ 5,347	\$ 18,846	\$ 28,252	\$ 36,674	\$ 27,589	\$ 27,156	\$ 65,640
Unreserved	2,071,446	2,049,460	1,911,902	2,080,719	1,821,534	1,926,667	1,877,669	1,697,668	1,715,921	1,670,285
Total General Fund	<u>\$ 2,111,349</u>	<u>\$ 2,072,625</u>	<u>\$ 1,949,630</u>	<u>\$ 2,086,066</u>	<u>\$ 1,840,380</u>	<u>\$ 1,954,919</u>	<u>\$ 1,914,343</u>	<u>\$ 1,725,257</u>	<u>\$ 1,743,077</u>	<u>\$ 1,735,925</u>
All other governmental funds										
Reserved	\$ 272,230	\$ 60,612	\$ 257,565	\$ 135,194	\$ 145,899	\$ 3,227,576	\$ 1,847,902	\$ 3,534,473	\$ 2,111,183	\$ 2,675,724
Unreserved, reported in:										
Special revenue funds	3,898,870	5,038,944	4,255,903	2,467,417	2,749,497	5,178,670	6,872,499	3,202,064	6,292,089	6,965,479
Capital projects funds	1,122,842	364,864	(499,368)	1,431,083	1,728,241	665,228	510,981	184,922	(460,420)	(688,952)
Total all other governmental funds	<u>\$ 5,293,942</u>	<u>\$ 5,464,420</u>	<u>\$ 4,014,100</u>	<u>\$ 4,033,694</u>	<u>\$ 4,623,637</u>	<u>\$ 9,071,474</u>	<u>\$ 9,231,382</u>	<u>\$ 6,921,459</u>	<u>\$ 7,942,852</u>	<u>\$ 8,952,251</u>

1. Beginning in 2002/2003 the governmental funds include the former expendable trusts and non-expendable trusts. These trusts were re-classified as special revenue and permanent funds, respectively, at the time the City implemented GASB Statement 34.

**City of Muscatine, Iowa**  
**Changes of Fund Balances of Governmental Funds**  
**Last Five Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
<b>Revenues</b>					
Taxes	\$ 12,184,799	\$ 12,571,769	\$ 12,810,981	\$ 13,817,099	\$ 14,997,698
Licenses and permits	237,283	312,573	301,322	332,378	324,913
Fines and forfeitures	156,130	143,730	149,785	126,720	144,427
Intergovernmental	4,585,829	4,391,299	4,613,775	5,695,585	5,170,180
Charges for services	306,335	390,484	478,454	416,045	418,119
Use of money and property	238,720	270,222	354,965	532,674	654,064
Special assessments	20,201	8,751	6,882	5,926	3,764
Other	1,080,417	2,890,469	1,695,158	1,472,920	1,488,012
Total revenues	<u>18,809,714</u>	<u>20,979,297</u>	<u>20,411,322</u>	<u>22,399,347</u>	<u>23,201,177</u>
<b>Expenditures (1)</b>					
Public safety	4,949,302	5,237,847	5,397,682	5,743,778	6,122,631
Public works	1,585,422	1,399,487	1,487,544	1,553,652	1,640,026
Health and social services	18,400	16,560	15,700	16,660	26,700
Culture and recreation	2,237,717	2,233,786	2,366,457	2,445,399	2,513,499
Community and economic development	2,435,788	2,800,999	2,388,844	2,076,963	2,271,322
General government	1,575,566	1,564,697	1,594,378	1,754,878	1,754,039
Capital outlay	2,891,805	6,881,185	5,709,323	4,300,157	3,611,445
Debt service:					
Principal	1,587,384	1,681,018	1,377,790	1,397,975	1,343,176
Interest	380,812	395,867	418,977	370,960	431,653
Paying agent	2,100	2,582	2,400	2,500	2,800
Total expenditures	<u>17,664,296</u>	<u>22,214,028</u>	<u>20,759,095</u>	<u>19,662,922</u>	<u>19,717,291</u>
Excess of revenues over (under) expenditures	<u>1,145,418</u>	<u>(1,234,731)</u>	<u>(347,773)</u>	<u>2,736,425</u>	<u>3,483,886</u>
Other financing sources (uses)					
General obligation bonds issued	1,780,000	-	-	2,990,000	-
General obligation bond discount	(10,288)	-	-	(15,548)	-
Tax increment revenue bonds issued	-	2,305,000	-	-	-
Proceeds from capital lease	14,863	-	-	-	-
Sale of capital assets	-	-	-	275,840	-
Insurance recoveries	-	-	-	-	103,514
Transfers in	4,781,693	5,284,115	5,074,263	4,905,672	5,783,805
Transfers out	(4,963,653)	(6,235,052)	(7,225,499)	(9,853,176)	(8,368,958)
Total other financing sources (uses)	<u>1,602,615</u>	<u>1,354,063</u>	<u>(2,151,236)</u>	<u>(1,697,212)</u>	<u>(2,481,639)</u>
Net change in fund balances	<u>\$ 2,748,033</u>	<u>\$ 119,332</u>	<u>\$ (2,499,009)</u>	<u>\$ 1,039,213</u>	<u>\$ 1,002,247</u>
Debt service as a percentage of non-capital expenditures	13.3%	13.6%	12.0%	11.5%	11.0%

1. The City began to classify expenditures in these functional areas when it implemented GASB Statement 34 in 2002/2003.

**City of Muscatine, Iowa**  
**Governmental Activities Tax Revenue by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Incremental Property Tax (TIF Districts)</u>	<u>Utility Excise Tax (1)</u>	<u>Mobile Home Tax</u>	<u>Hotel/Motel Tax</u>	<u>Bank Franchise Tax (2)</u>	<u>Cable Franchise Tax (3)</u>	<u>Local Option Sales Tax</u>	<u>Total</u>
1997/98	\$ 7,472,791	\$ 187,579	\$ -	\$ 18,859	\$ 286,572	\$ 56,784	\$ -	\$ 2,069,725	\$ 10,092,310
1998/99	7,467,075	322,425	-	17,107	298,822	-	-	2,266,753	10,372,182
1999/2000	7,701,160	469,764	-	17,118	294,318	-	-	2,207,507	10,689,867
2000/2001	7,974,925	544,471	68,144	18,010	330,850	-	-	2,451,888	11,388,288
2001/2002	8,544,437	637,922	72,767	19,366	276,207	-	-	1,985,400	11,536,099
2002/2003	8,959,144	749,270	79,468	18,420	274,654	-	-	2,103,843	12,184,799
2003/2004	9,176,000	789,101	67,339	18,420	310,798	-	-	2,210,111	12,571,769
2004/2005	9,233,886	990,224	63,638	18,500	327,575	-	238,788	1,938,370	12,810,981
2005/2006	9,841,238	1,056,387	59,209	19,040	306,075	-	245,132	2,290,018	13,817,099
2006/2007	10,737,977	1,004,423	63,986	20,738	338,818	-	242,164	2,589,592	14,997,698
Change 1997/98 to 2006/2007	43.7%	435.5%		10.0%	18.2%			25.1%	48.6%

1. Gas and electric utilities were assessed general property taxes based on assessed valuations through 1999/2000; beginning in 2000/2001 these utilities are subject to an excise tax based on the amount of energy delivered in a one year period.

2. Bank franchise tax revenue classified as intergovernmental revenue beginning in 1998/99.

3. Cable franchise tax revenue was accounted for in an enterprise fund through 2003/2004; beginning in 2004/2005 this revenue is accounted for in the General Fund.

**City of Muscatine, Iowa**  
**Taxable Value and Estimated Actual Value of Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Tax Collection Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Machinery &amp; Equipment (1)</b>	<b>Railroads and Utilities</b>	<b>Less: Military Exemption</b>	<b>Total Taxable Value</b>	<b>Total Direct Tax Rate (per \$1,000 of Valuation)</b>	<b>Estimated Actual Value</b>	<b>Taxable Value as a Percentage of Estimated Actual Value</b>
1997/98	\$ 261,265,063	\$ 113,883,134	\$ 83,799,717	\$ 89,172,940	\$ 10,214,909	\$ 3,220,628	\$ 555,115,135	\$ 13.52103	\$ 741,405,977	74.9%
1998/99	264,347,762	126,616,570	85,061,816	84,167,858	10,710,915	3,149,442	567,755,479	13.24425	791,893,130	71.7%
1999/2000	274,267,804	141,001,356	86,900,503	81,202,775	11,680,094	3,069,850	591,982,682	13.03131	806,737,396	73.4%
2000/2001	270,191,149	161,617,659	98,244,262	58,812,852	6,143,188 (2)	2,949,646	592,059,464	13.46509	819,977,512	72.2%
2001/2002	282,884,359	183,724,111	109,053,872	36,245,853	6,095,471	2,857,078	615,146,588	13.93626	838,436,018	73.4%
2002/2003	312,053,447	179,321,943	111,824,874	14,739,532	6,739,905	2,772,444	621,907,257	14.35639	921,894,838	67.5%
2003/2004	314,511,010	179,354,859	114,983,487	-	7,163,614	2,679,844	613,333,126	14.84915	914,556,777	67.1%
2004/2005	304,751,605	181,561,051	114,149,216	-	6,486,449	2,547,347	604,400,974	15.14549	935,583,731	64.6%
2005/2006	309,991,311	196,029,944	116,742,479	-	7,311,377	2,455,752	627,619,359	15.51344	969,948,931	64.7%
2006/2007	332,674,470	203,766,173	122,163,719	-	7,712,376	2,382,598	663,934,140	16.03891	1,063,565,913	62.4%

1. The State of Iowa eliminated taxes on all new machinery and equipment beginning in the 1995/96 year and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year.
2. Beginning in 2000/2001 gas and electric utilities have been excluded from the values shown as the taxation of these utilities is no longer based on assessed values. These utilities now pay an excise tax based on the amount of energy delivered in a one year period.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa**  
**Direct and Overlapping Property Tax Rates**  
 (Rates per \$1,000 of Valuation)  
 Last Ten Fiscal Years  
 (Unaudited)

Fiscal Year	City Direct Rates					Overlapping Rates					Totals by School District		
	General Fund	Employee Benefit	Debt Service	Transit	Tort Liability	Levee	Emergency	Total Direct Rate	County Consolidated	School Districts			Community
										Muscatine Community	Louisa-Muscatine Community	Muscatine Community	
1997/98	\$ 8,10000	\$ 2,03286	\$ 2,59344	\$ 0.40136	\$ 0.32588	\$ 0.06750	\$ -	\$ 13.52104	\$ 7,72170	\$ 15,59428	\$ -	\$ 12,54750	\$ 36,83702
1998/99	8,10000	1,98965	2,41445	0.36371	0.30894	0.06750	-	13.24425	7,80018	16,00286		12,62077	37,04729
1999/2000	8,10000	2,12725	2,10208	0.33785	0.29663	0.06750	-	13.03131	7,73462	15,06575		12,99862	35,83168
2000/2001	8,10000	2,65631	2,06645	0.33494	0.24032	0.06750	-	13.46552	7,74389	14,34646		13,87696	35,55587
2001/2002	8,10000	2,34072	2,56903	0.35463	0.23438	0.06750	0.27000	13.93626	7,61234	14,41514		14,40012	35,96374
2002/2003	8,10000	2,65255	2,68750	0.31875	0.26010	0.06750	0.27000	14.35640	7,66580	14,56445		15,75821	36,58665
2003/2004	8,10000	3,04167	2,82657	0.24223	0.30117	0.06750	0.27000	14.84914	7,58716	15,51555		13,86347	37,95185
2004/2005	8,10000	3,22143	2,81627	0.35191	0.31838	0.06750	0.27000	15.14549	7,41669	16,28523		15,76815	38,84741
2005/2006	8,10000	3,26353	3,09837	0.35615	0.35789	0.06750	0.27000	15.51344	7,73543	15,55390		15,89643	38,80277
2006/2007	8,10000	4,07275	2,93250	0.21753	0.37863	0.06750	0.27000	16.03891	8,44031	14,70326		14,85256	39,14530
													39,33178

Notes - Per State statutes maximum tax rates apply to the General Fund, Transit, Levee and Emergency levies. The City has been at the maximum rate of \$8.10 for the General Fund, \$ 0.0675 for the Levee, and \$ 0.27 for the Emergency levy as shown above. A maximum rate of \$ 0.95 applies to the Transit tax; the City's Transit levy is less than the maximum allowed.

Source: Muscatine County Auditor's Office



**City of Muscatine, Iowa  
Principal Property Tax Payers  
Current Year and Nine Years Ago  
(Unaudited)**

<b>Taxpayer</b>	<b>January 1, 2005 Valuation (for 2006/2007 Tax Levy)</b>			<b>January 1, 1996 Valuation (for 1997/1998 Tax Levy)</b>		
	<b>Assessed Valuation</b>	<b>Rank</b>	<b>Percent of Total Assessed Value</b>	<b>Assessed Valuation (1)</b>	<b>Rank</b>	<b>Percent of Total Assessed Value</b>
HNI Corporation (HON Industries/HON Financial)	\$ 44,501,750	1	7.1%	\$ 33,587,807	2	6.0%
Grain Processing/Kent Feeds	38,327,290	2	6.1%	78,704,904	1	14.1%
Bandag, Inc.	18,693,660	3	3.0%	16,319,528	4	2.9%
Heinz, U.S.A.	10,446,080	4	1.7%	18,565,135	3	3.3%
Riverbend Leasing, LLC	9,506,210	5				
Wal-Mart Stores, Inc.	9,492,720	6	1.5%	2,985,260	11	0.5%
Davenport Farm & Fleet, Inc. (Blain's Farm & Fleet)	7,011,160	7	1.1%			
SECO Investment Co. (Stanley Engineering Co.)	6,794,470	8	1.1%	4,703,830	7	0.8%
First National Bank of Muscatine	6,364,030	9	1.0%	4,743,109	6	0.9%
BT Prime Mover	5,808,100	10	0.9%			
W I D, Inc.	5,693,320	11	0.9%			
GRIDCO, LLC	5,481,240	12	0.9%			
Central State Bank	5,384,610	13	0.9%	2,969,151	12	0.5%
Hy-Vee Inc.	5,293,760	14	0.8%	3,082,530	10	0.6%
TJD, LLC (CAM II)	4,642,330	15	0.7%			
Muscatine Mall Associates LLP (formerly Tri State Joint Ventures)	4,396,720	16	0.7%	4,207,900	8	0.8%
Muscatine Plaza				5,270,960	5	0.9%
Carver Pump Company				3,228,552	9	0.6%
	<u>\$ 187,837,450</u>		<u>28.4%</u>	<u>\$ 178,368,666</u>		<u>31.9%</u>

1. January 1, 1995 assessed valuations included machinery and equipment values. The State of Iowa eliminated taxes on new machinery and equipment beginning in 1995/96 and began phasing out taxes on existing machinery and equipment. This tax was fully eliminated as of the 2003/2004 year. This was a significant factor in the decrease in assessed valuations for Grain Processing/Kent Feeds.

Source: Muscatine County Auditor's Office

**City of Muscatine, Iowa**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Delinquent Tax Collections (2)</b>	<b>Total Tax Collections (2)</b>	<b>Ratio of Total Tax Collections to Total Tax Levy</b>
		<b>Amount (1)</b>	<b>Percent of Levy Collected</b>			
1997/98	\$ 7,533,340	\$ 7,471,347	99.18%	\$ 1,444	\$ 7,472,791	99.20%
1998/99	7,560,049	7,465,048	98.74%	2,027	7,467,075	98.77%
1999/2000	7,752,936	7,699,537	99.31%	1,623	7,701,160	99.33%
2000/2001	8,026,525	7,974,736	99.35%	189	7,974,925	99.36%
2001/2002	8,631,013	8,543,226	98.98%	1,211	8,544,437	99.00%
2002/2003	8,997,159	8,957,497	99.56%	1,647	8,959,144	99.58%
2003/2004	9,180,577	9,170,392	99.89%	5,608	9,176,000	99.95%
2004/2005	9,239,618	9,229,567	99.89%	4,319	9,233,886	99.94%
2005/2006	9,837,794	9,836,626	99.99%	4,612	9,841,238	100.04%
2006/2007	10,736,626	10,733,950	99.98%	4,027	10,737,977	100.01%

1. Current tax collections reflect payments received by the Muscatine County Treasurer's office from July 1 through June 30 of each year. Taxes levied for the current year are classified as delinquent if not paid by June 30 each year.
2. Delinquent tax collections reflect the amounts of delinquent taxes the City received during the year. Information is not available from the County Treasurer's Office as to the year(s) for which the delinquent tax collections apply.

**City of Muscatine, Iowa**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Business-Type Activities</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income (1)</b>	<b>Per Capita (1)</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Bonds</b>	<b>Capital Lease</b>	<b>General Obligation Bonds</b>			
1997/98	\$ 7,830,548	\$ 1,795,000	\$ -	\$ 9,277,195	\$ 18,902,743	3.4%	\$ 826
1998/99	6,914,403	1,745,000	-	12,297,321	20,956,724	3.6%	916
1999/2000	5,908,538	1,670,000	-	11,541,643	19,120,181	3.2%	836
2000/2001	9,155,212	1,580,000	-	10,773,739	21,508,951	3.5%	948
2001/2002	7,916,807	1,470,000	-	9,990,914	19,377,721	3.1%	854
2002/2003	8,273,115	1,340,000	14,653	9,163,088	18,790,856	3.0%	828
2003/2004	6,735,741	3,505,000	12,039	8,315,054	18,567,834	2.8%	818
2004/2005	5,621,770	3,245,000	9,249	7,443,616	16,319,635	2.4%	719
2005/2006	7,467,253	2,980,000	6,273	6,547,178	17,000,704	2.3%	749
2006/2007	6,409,835	2,700,000	3,097	5,605,740	14,718,672	N/A	648

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1. See the Schedule of Demographic and Economic Statistics (Table 14) for personal income and population data.

**City of Muscatine, Iowa**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Estimated Actual Value of Property (1)</u>	<u>Percentage of Actual Valuation</u>	<u>Population (2)</u>	<u>Per Capita</u>
1997/98	\$ 17,107,743	\$ 741,405,977	2.3%	22,881	\$ 748
1998/99	19,211,724	791,893,130	2.4%	22,881	840
1999/2000	17,450,181	806,737,396	2.2%	22,881	763
2000/2001	19,928,951	819,977,512	2.4%	22,697	878
2001/2002	17,907,721	838,436,018	2.1%	22,697	789
2002/2003	17,436,203	921,894,838	1.9%	22,697	768
2003/2004	15,050,795	914,556,777	1.6%	22,697	663
2004/2005	13,065,386	935,583,731	1.4%	22,697	576
2005/2006	14,014,431	969,948,931	1.4%	22,697	617
2006/2007	12,015,575	1,063,565,913	1.1%	22,697	529

Note - Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**Sources:**

1. Muscatine County Auditor's Office
2. United States Census Bureau

**City of Muscatine, Iowa**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2007**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percent Applicable to City (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Louisa-Muscatine School District	\$ 1,540,000	12.77%	\$ 196,658
Muscatine County	4,200,000	47.44%	1,992,480
Eastern Iowa Community College (EICC)	2,295,000	6.94%	159,273
<b>Other debt</b>			
Eastern Iowa Community College (EICC)	45,580,000	6.94%	<u>3,163,252</u>
Subtotal, overlapping debt			\$ 5,511,663
<b>City direct debt (2)</b>		100.00%	<u>9,112,932</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 14,624,595</u></u>

1. The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the other governmental unit's taxable assessed value that is within the City of Muscatine's boundaries and dividing it by each governmental unit's total taxable value. These estimates were used for both debt to be repaid with property taxes as well as debt for the EICC to be repaid from sources other than property tax.
2. Excludes general obligation bonds reported in business-type activities.

**Sources:**

Louisa-Muscatine School District  
Muscatine County Auditor's Office  
Eastern Iowa Community College

Note - Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Muscatine. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Muscatine. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

City of Muscatine, Iowa  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year									
	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Debt limit (1)	\$ 37,070,299	\$ 39,594,657	\$ 40,336,870	\$ 40,998,876	\$ 41,921,801	\$ 46,094,742	\$ 45,727,839	\$ 46,779,187	\$ 48,497,447	\$ 53,178,296
Total debt applicable to limit	19,600,000	21,620,000	19,715,000	22,060,000	19,885,000	19,264,653	18,997,039	16,704,249	17,356,273	15,028,097
Legal debt margin	\$ 17,470,299	\$ 17,974,657	\$ 20,621,870	\$ 18,938,876	\$ 22,036,801	\$ 26,830,089	\$ 26,730,800	\$ 30,074,938	\$ 31,141,174	\$ 38,150,199
Total debt applicable to the limit as a percentage of debt limit	52.87%	54.60%	48.88%	53.81%	47.43%	41.79%	41.54%	35.71%	35.79%	28.26%

Legal Debt Margin Calculation for Fiscal Year 2006/2007

Total assessed valuation as of January 1, 2005	\$ 1,063,565,913
Debt limit - 5% of assessed valuation	\$ 53,178,296
Amount of debt applicable to debt limit:	
General obligation bonds	12,325,000
Lease-purchase obligation	3,097
Tax increment revenue bonds	2,700,000
Total debt applicable to debt limit	15,028,097
Legal debt margin	\$ 38,150,199

1. Under state law the City's debt may not exceed 5% of the total actual valuation of property.

**City of Muscatine, Iowa  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)**

<b>Fiscal Year</b>	<b>Popula- tion (1)</b>	<b>Personal Income (2)</b>	<b>Personal Per Capita Income (2)</b>	<b>Median Age (1)</b>	<b>Percent High School Graduates or Higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemploy- ment Rate (4)</b>
1997/98	22,881	\$ 564,222,579	\$ 24,659	35.3	74.2%	5,311	4.2%
1998/99	22,881	584,174,811	25,531	35.3	74.2%	5,277	2.7%
1999/2000	22,881	599,299,152	26,192	35.3	74.2%	5,259	2.8%
2000/2001	22,697	610,027,269	26,877	35.8	80.3%	5,393	2.7%
2001/2002	22,697	627,186,201	27,633	35.8	80.3%	5,457	3.7%
2002/2003	22,697	634,449,241	27,953	35.8	80.3%	5,385	4.1%
2003/2004	22,697	653,128,872	28,776	35.8	80.3%	5,375	4.2%
2004/2005	22,697	685,063,551	30,183	35.8	80.3%	5,280	4.5%
2005/2006	22,697	741,669,869	32,677	35.8	80.3%	5,305	4.2%
2006/2007	22,697	N/A	N/A	35.8	80.3%	5,387	3.2%

**Sources:**

1. United States Census Bureau
2. Iowa Workforce Development. Per capita income for the City of Muscatine is not available. The amounts shown are for Muscatine County and reflect average per capita income for the calendar years which end midway through the fiscal years shown. Personal income for the City has been estimated using the per capita income for Muscatine County multiplied by the City's population. Personal income information is not yet available for 2006.
3. Muscatine Community School District
4. Iowa Workforce Development. Unemployment rates for the City of Muscatine are not available. The rates shown are rates for Muscatine County and reflect average annual unemployment for the calendar years which end midway through the fiscal years shown.

**City of Muscatine, Iowa  
Principal Employers  
Current Year and Nine Years Ago  
(Unaudited)**

<b>Employer</b>	<b>2007</b>			<b>1998</b>		
	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>	<b>Approximate Number of Employees (1)</b>	<b>Rank</b>	<b>Percentage of Estimated Total County Employment (2)</b>
HNI Corporation (HON Industries/HON Financial)	3,700	1	16.1%	2,250	1	10.5%
Grain Processing/Kent Feeds	1,465	2	6.4%	1,250	2	5.9%
Muscatine Community School District	1,100	3	4.8%	683	4	3.2%
Bandag (Formerly Bandag, Inc.)	550	4	2.4%	828	3	3.9%
Unity Health Care (Formerly Muscatine General Hospital)	520	5	2.3%	283	7	1.3%
Heinz, U.S.A.	500	6	2.2%	517	6	2.4%
Monsanto Company	455	7	2.0%	520	5	2.4%
Hy-Vee Food Store	420	8	1.8%	N/A		
Wal-Mart Superstore	325	9	1.4%	N/A		
Muscatine Power & Water	300	10	1.3%	260	9	1.2%
SECO Investment Co. (Stanley Engineering Co.)	250	11	1.1%	240	10	1.1%
City of Muscatine	221	12	1.0%	225	11	1.1%
Musco Sports Lighting	220	13	1.0%	N/A		
Raymond-Muscatine, Inc. (Previously BT Prime Mover)	200	14	0.9%	270	8	1.3%
Muscatine County	200	15	0.9%	150	12	0.7%
	<u>10,426</u>		<u>45.6%</u>	<u>7,476</u>		<u>35.0%</u>

**Sources:**

1. Muscatine Chamber of Commerce & Industry provided the 2007 employment figures. The 1998 figures were provided by Bi-State Regional Commission and may be on a basis which differs from the data provided by the Muscatine Chamber of Commerce & Industry.
2. Iowa Workforce Development. Employment data for the City of Muscatine is not available. Employers listed are the largest in the immediate area of the City of Muscatine. Percentages shown are based on total employment in Muscatine County. The average monthly employment in Muscatine County was 23,037 in 2007 and 21,350 in 1998.



**City of Muscatine, Iowa**  
**Full-Time Equivalent Employees by Function**  
**(Excludes Seasonal Employees)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Function</u>	<u>1997/98</u>	<u>1998/99</u>	<u>1999/2000</u>	<u>2000/01</u>	<u>2001/02</u>	<u>2002/03</u>	<u>2003/04</u>	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>
General government	17.91	17.46	18.69	18.94	18.94	18.54	17.12	16.80	17.50	17.85
Public Safety:										
Police										
Officers (1)	40.00	40.00	40.00	40.00	40.00	38.00	37.00	37.75	38.00	38.00
Civilians (2)	9.50	9.50	11.00	13.50	13.50	13.50	13.50	4.87	3.60	3.75
Fire										
Firefighters and officers (3)	32.00	32.00	32.00	31.50	31.50	30.50	29.50	28.50	29.00	29.50
Civilians	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Culture and recreation										
Library	14.50	15.00	16.00	16.00	16.00	16.00	15.58	15.75	15.75	15.75
Art center	3.00	4.25	4.33	4.58	4.60	4.55	4.30	4.43	4.33	4.33
Parks and recreation (4)	14.75	14.75	15.00	15.25	15.25	13.75	13.75	13.25	12.82	13.00
Community and economic development (5)	9.00	9.00	9.00	9.00	9.00	9.00	9.00	7.00	7.00	7.00
Public works (6)	21.75	20.75	20.75	20.75	20.75	20.75	16.75	16.75	16.75	16.74
Business-type:										
Parking	3.50	3.50	3.50	3.50	3.50	3.50	3.65	3.65	3.65	3.60
Golf course	2.25	2.25	2.75	3.00	3.00	3.00	3.00	3.00	2.75	2.00
Boat harbor	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Transit	2.35	2.35	2.60	3.00	2.62	2.83	2.83	2.83	2.83	2.83
Refuse collection	8.83	9.00	9.00	9.00	9.00	9.80	9.80	9.80	9.80	9.80
Landfill	-	0.83	0.83	0.83	0.83	0.83	0.83	0.83	0.33	0.33
Transfer station	4.50	3.17	3.17	3.17	3.17	3.17	3.17	3.17	3.67	3.67
Water pollution control	26.50	26.75	27.75	28.75	29.75	29.75	29.75	29.50	29.50	29.50
Ambulance (7)	-	-	-	6.00	6.75	7.75	7.75	8.75	8.25	7.75
Housing	9.45	9.45	9.30	9.30	9.30	10.50	10.50	10.50	10.50	10.50
Equipment services	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Totals (8)	224.54	224.76	230.42	240.82	242.21	240.47	232.53	221.88	220.78	220.65

1. Police officer positions fluctuated primarily due to grant funding for special police programs.
2. Police civilian positions were reduced by 9.5 equivalent positions when the City's dispatch center was combined with the Muscatine County dispatch operation in 2004/2005.
3. Firefighter positions allocated to the Ambulance operation fluctuated during this period.
4. Parks and recreation positions were reduced by 1.5 in 2002/2003 when the City began contracting the operation of the Cemetery office.
5. Staffing in the Community Development department was reduced due to the decline in General Fund revenues.
6. Public works staffing was reduced by 3 in the Engineering division beginning in 2003/2004.
7. The City began providing ambulance service July 1, 2000 adding 6 equivalent positions.
8. The overall decline in positions in 2003/2004 and 2004/2005 was due to the decline in revenues to provide General Fund services.

Source: City of Muscatine records

**City of Muscatine, Iowa**  
**Operating Indicators by Function/Department**  
**Last Ten Calendar or Fiscal Years**  
**(Unaudited)**

**Calendar Year Indicators**

Function/Department	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Public Safety:										
Police										
Calls for service	24,971	23,490	22,689	26,125	26,205	26,543	26,555	24,590	21,638	20,427
Traffic enforcement	4,002	4,296	4,697	5,524	4,284	5,574	5,535	4,946	4,020	5,188
Arrests	2,189	2,183	2,066	2,159	2,113	1,789	2,229	2,068	1,971	2,062
Parking tickets issued	1,733	1,893	1,892	1,914	2,033	1,792	2,037	2,122	1,852	1,764
Fire (includes ambulance) (1)										
Calls for service	1,368	1,327	1,446	2,127	2,954	2,779	3,143	3,085	3,161	2,963
Culture and recreation:										
Parks and recreation										
Weed Park Pool/Aquatic										
Center attendance (2)	15,599	17,562	20,084	15,060	17,026	19,152	-	46,576	55,948	45,891
Adult program participants (3)	840	865	906	879	859	862	1,075	1,006	272	328
Children's program participants	1,852	1,959	1,938	1,834	1,621	1,684	1,333	1,558	1,698	1,547
Cemetery burials	125	113	133	108	108	132	126	111	99	104
Community and economic development:										
Building-related permits	1,400	1,543	1,258	1,273	1,247	1,277	1,150	1,231	1,063	1,030
Business-type:										
Transit (4)										
Total passengers	103,901	109,964	122,536	134,354	135,437	(See fiscal year indicators below)				
Golf course										
Rounds played	50,044	49,706	48,985	45,190	41,329	37,666	35,989	32,768	33,195	31,825

**Fiscal Year Indicators**

Function/Department	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Culture and recreation:										
Library										
Registered borrowers	20,750	20,736	20,722	20,117	19,421	19,779	19,910	20,756	22,298	20,315
Circulation	270,945	246,101	257,540	285,425	291,544	306,950	312,623	331,445	324,179	319,446
Art center										
Attendance	12,907	13,102	13,343	16,067	16,730	16,653	18,451	17,945	18,088	15,640
Public works:										
Miles of streets maintained	135	135	136	136	136	136	138	139	140	140
Business-type activities:										
Transit (4)										
Total passengers										
Parking	19,068	24,350	20,997	15,223	20,144	17,708	15,763	14,764	15,598	15,764
Tickets issued										
Refuse collection	8,655	8,825	8,850	8,837	8,906	8,593	8,521	8,888	9,449	9,482
Tons of refuse collected										
Transfer station										
Tons of waste processed	47,622	62,317	60,869	63,799	48,797	45,911	41,435	44,423	41,356	44,883
Tons recycled (contractor)	6,175	6,185	6,333	6,198	5,741	5,571	4,734	4,854	5,721	6,215
Water pollution control										
Cubic feet of wastewater treated (in millions)	159.05	160.02	147.54	142.55	133.16	192.78	187.47	183.18	173.38	208.26

1. The fire department began providing ambulance service effective July 1, 2000.
2. The former Weed Park Pool did not open for the 2003 season due to mechanical problems. The Aquatic Center replaced the former pool and opened for the 2004 season.
3. The decline in adult program participants in 2005 is due to the City no longer organizing the adult softball league. A private organization now coordinates this league.
4. The Transit system reported calendar year indicators through 2001. Indicators thereafter are being maintained on a fiscal year basis.

Source: City of Muscatine records

**City of Muscatine, Iowa**  
**Capital Asset Statistics by Function/Department**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Function/Department</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/2000</b>	<b>2000/01</b>	<b>2001/02</b>	<b>2002/03</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Public Safety:										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol vehicles	8	8	8	8	9	9	9	9	9	9
Fire										
Fire stations	2	2	2	2	2	2	2	2	2	2
Aerial tower	1	1	1	1	1	1	1	1	1	1
Fire pumps	3	3	3	3	3	3	3	3	3	3
Hazmat vehicle	1	1	1	1	1	1	1	1	1	1
Ambulances	-	-	-	3	3	3	3	4	4	4
Culture and recreation:										
Library	1	1	1	1	1	1	1	1	1	1
Art center and museum	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Parks	18	18	18	18	18	18	18	14	14	14
Park acreage	258	258	258	258	258	258	258	254	254	254
Swimming pools	2	2	2	2	2	2	2	2	2	2
Softball and baseball diamonds	22	22	22	22	21	20	19	19	20	20
Soccer fields	8	8	8	8	8	8	8	8	8	8
Tennis courts	11	11	11	11	10	10	10	8	8	8
Cemeteries	1	1	1	1	1	1	1	1	1	1
Cemetery acreage	150	150	150	150	150	150	150	150	150	150
Public works:										
Miles of streets	135	135	136	136	136	136	138	139	140	140
Business-type activities										
Transit:										
Buses	10	10	10	10	10	10	10	10	10	10
Golf course	1	1	1	1	1	1	1	1	1	1
Airport:										
Airport	1	1	1	1	1	1	1	1	1	1
Primary runway length (in feet)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Solid waste:										
Transfer station/recycling center	1	1	1	1	1	1	1	1	1	1
Refuse collection vehicles	5	5	5	5	5	5	5	5	5	5
Water pollution control:										
Plants	1	1	1	1	1	1	1	1	1	1
Daily capacity (in gallons)	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million	15 million

Source: City of Muscatine records

**INFORMATION PROVIDED TO COMPLY WITH  
*GOVERNMENT AUDITING STANDARDS*  
AND  
OMB CIRCULAR A-133**



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Muscatine, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance or other matters that is described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Muscatine, Iowa. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

We noted certain matters that we reported to management of the City of Muscatine, Iowa, in a separate letter dated November 29, 2007.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Muscatine, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
November 29, 2007



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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To the Honorable Mayor and  
Members of the City Council  
City of Muscatine, Iowa

**Compliance**

We have audited the compliance of the City of Muscatine, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Muscatine, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of the City of Muscatine, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Muscatine, Iowa, and other parties to whom the City of Muscatine, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa  
November 29, 2007



**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Housing and Urban Development:			
Public and Indian Housing	14.850	IA04900107D	\$ <u>160,643</u>
Section 8 Housing Choice Vouchers	14.871	IA049VO0054/0061	<u>1,310,065</u>
Public Housing Capital Fund	14.872	IA05-P049-50105	108,565
Public Housing Capital Fund	14.872	IA05-P049-50106	<u>17,462</u>
			<u>126,027</u>
Department of Justice:			
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0846	<u>4,201</u>
Bulletproof Vest Partnership Program	16.607	N/A	<u>2,032</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-DJ-BX-0013	3,313
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DJ-BX-0189	<u>24,650</u>
			<u>27,963</u>
Department of Transportation:			
Airport Improvement Program	20.106	3-19-0063-11	36,508
Airport Improvement Program	20.106	3-19-0063-12	168,167
Airport Improvement Program	20.106	3-19-0063-13	<u>93,240</u>
			<u>297,915</u>
Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-08159	<u>117,119</u>
Total Direct			<u>2,045,965</u>
Indirect:			
Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/ State's Program	14.228	06-HSG-037	<u>193,055</u>
Department of Justice:			
Governor's Office of Drug Control Policy:			
Violence Against Women Formula Grants	16.588	VW-07-51	<u>8,135</u>
Iowa Governor's Alliance on Substance Abuse and Muscatine County:			
Public Safety Partnership and Community Policing Grants	16.710	06-JAG/HS-A05	<u>49,250</u>
			(continued)

**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-5330(605)- 70-70	\$ 735,335
Highway Planning and Construction	20.205	STP-U-5330(610)- 70-70	<u>60,000</u>
			<u>795,335</u>
Formula Grants for Other Than Urbanized Areas	20.509	TF2007067	197
Formula Grants for Other Than Urbanized Areas	20.509	TF2007098	136
Formula Grants for Other Than Urbanized Areas	20.509	TF2007178	65
Formula Grants for Other Than Urbanized Areas	20.509	TF2007188	70
Formula Grants for Other Than Urbanized Areas	20.509	TF2007189	179
Formula Grants for Other Than Urbanized Areas	20.509	TF2007238	124
Formula Grants for Other Than Urbanized Areas	20.509	18-0028-533-06	14,373
Formula Grants for Other Than Urbanized Areas	20.509	18-4028-533-07	<u>164,350</u>
			<u>179,494</u>
Job Access – Reverse Commute	20.516	37-X009-533-03	<u>31,612</u>
New Freedom Program	20.521	57-X002-533-06	<u>1,513</u>
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-02, Task 20	787
State and Community Highway Safety	20.600	PAP 07-02, Task 20	<u>7,750</u>
			<u>8,537</u>
Environmental Protection Agency:			
Iowa Department of Public Health and			
Linn County, Iowa:			
State Indoor Radon Grants	66.032	5887RC02	<u>774</u>
			(continued)

**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2007**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Indirect: (continued)			
Department of Homeland Security:			
Iowa Department of Public Defense,			
Homeland Security and Emergency			
Management Division:			
Disaster Grants – Public Assistance	97.036	139-55110-00	\$ 27,180
(Presidentially Declared Disasters)			
Scott County:			
Law Enforcement Terrorism	97.074	FY2004-LETPP-LEIN-06	79,165
Prevention Program			
Office of National Drug Control Policy:			
Iowa Department of Public Safety:			
High Intensity Drug Trafficking			
Area Grant	N/A	17 PMWP556	33,946
High Intensity Drug Trafficking			
Area Grant	N/A	15 PMWP556	15,339
High Intensity Drug Trafficking			
Area Grant	N/A	16 PMWP556	32,632
			<u>81,917</u>
Total Indirect			<u>1,455,967</u>
Total			<u>\$ 3,501,932</u>

N/A = Not Available

See Notes to the Schedule of Expenditures of Federal Awards

**CITY OF MUSCATINE, IOWA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2007**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Muscatine, Iowa, and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – SUBRECIPIENTS**

Of the federal expenditures presented in the schedule, the City of Muscatine, Iowa, provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 13,462

**CITY OF MUSCATINE, IOWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2007**

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.871 – Section 8 Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Muscatine, Iowa, qualified as a low-risk auditee.

**Part II: Other Findings Related to Required Statutory Reporting:**

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007, did not exceed the amount budgeted for any function prior to the budget being amended or at year end.
- II-B-07 Questionable Disbursements – We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-07 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Vonda Ludke, part-time Housing Office Coordinator, husband owns Spectrum Personnel, Ltd.	Temporary employment services	\$ 118,978

Name, Title, and Business Connection	Transaction Description	Amount
Eric Hutmacher, owner of Hutmacher's Nuisance Service	Animal removal services	\$ 80
Cindy Carver, Art Center, husband owns Carver Construction Co.	Housing rehab program, per bid	\$ 28,520
Andy Kral, equipment operator, wife is part owner of Wilson True Value Hardware	Supplies	\$ 13,340

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Hutmacher's Nuisance Service do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year. The transactions with Carver Construction Co. and Spectrum Personnel, Ltd. do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. The transactions with Wilson True Value Hardware may represent a conflict of interest since they were not entered into through competitive bidding.

Response – Wilson True Value Hardware had been a City vendor for at least 25 years prior to the hiring of the spouse of one of the owners in 2006. This employee is in a non-decision making, non-purchasing related position. City Council approved by motion to continue doing business with this vendor as long as the responsibilities of this employee continue to be unrelated to purchasing and also that the volume of business with this vendor be monitored so that it does not increase significantly (no more than 10%) from the level prior to the hiring of this employee.

Conclusion – Response accepted.

- II-E-07 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-07 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-07 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-07 Revenue Bonds – We noted no instances of noncompliance with the provisions of the City's revenue bond resolutions.